

BRANSTETTER, KILGORE, STRANCH & JENNINGS

ATTORNEYS AT LAW

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FOURTH FLOOR

NASHVILLE, TENNESSEE 37201-1631

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C. DEWEY BRANSTETTER, JR.
RANDALL C. FERGUSON
R. JAN JENNINGS*
CARROL D. KILGORE
DONALD L. SCHOLLES
JAMES G. STRANCH, III
JANE B. STRANCH**

November 1, 1999

REC'D TN
REGULATORY AUTH
NOV 2 PM 3
TELEPHONE
(615) 254-5801
FACSIMILE
(615) 255-5419
EXECUTIVE SECRETARY

*ALSO ADMITTED IN GA

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505

**Re: Petition of Lynwood Utility Corporation to Change and Increase Rates and
Charges - Amendment to Petition
Docket No. 99-00507**

Dear Mr. Waddell:

I have enclosed an original and thirteen copies of a Amendment to Petition in this docket. I have enclosed an additional copy for you to mark filed and return to me. Thank you for your assistance in this matter.

Sincerely yours,

Donald L. Scholles

DONALD L. SCHOLLES

Enclosures

c: Vince Williams
Davis Lamb

BKSJ File No.: 99-215

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

IN RE: PETITION OF LYWOOD UTILITY)
CORPORATION TO CHANGE AND)
INCREASE RATES AND CHARGES)

DOCKET NO. 99-00507

REC'D TN
REGULATORY AUTHORITY
1999 NOV 2 PM 3
EXECUTIVE SECRET

AMENDMENT TO PETITION

Comes now the Petitioner, Lynwood Utility Corporation (Lynwood), and files this Amendment to Petition in this matter:

In paragraph 3 of the Petition, Lynwood states that it borrowed \$305,000.00 from First Tennessee Bank to finance the construction of improvements to its sewer plant to serve the Legends Ridge Subdivision. A note for \$305,000 was issued to First Tennessee Bank on May 30, 1997. A copy of this note and related documents securing the payment of the note by Lynwood are attached as Collective Exhibit 1 to this Amendment to Petition. This note was assigned to Lumbermen's Investment Corporation (LIC) by an Assignment Agreement dated December 17, 1998 and amendments to the related documents securing the note to First Tennessee Bank all of which are attached as Collective Exhibit 2. The terms of the original note required full repayment within one year of the date of the note. The note was not repaid within the one year period, and Lynwood defaulted on the note. The note is still in default, but LIC has taken no action on the default. Under T.C.A. § 65-4-109, all evidences of indebtedness payable in more than one year require the approval of the Authority. Neither the issuance of the note to First Tennessee Bank by Lynwood nor the assignment of the note to LIC was approved by the Authority. To the extent the Authority deems such approval should have been obtained. Lynwood requests that the

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Authority approve the issuance of the note to First Tennessee Bank and the assignment of the note to LIC in connection with this rate increase petition.

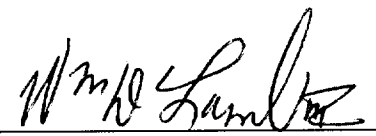
In paragraph 2 of the Petition, Lynwood describes a Utilities Agreement and two amendments to the Utilities Agreement entered into with LIC. As a part of these agreements, Lynwood agreed to reimburse LIC for the expansion cost of the sewer plant not attributable to the additional capacity necessary to serve the River Landing Subdivision and for the funds advanced to Lynwood to meet its operating expenses. This transaction could be seen as falling within the purview of T.C.A. § 65-4-109 in that Lynwood agreed to pay LIC for funds advanced to it which repayments would be made more than one year from the date of these agreements. To the extent the Authority deems such approval should have been obtained. Lynwood requests that the Authority approve the Utilities Agreements and the two amendments thereto in connection with this rate increase petition.

Both of these transactions were entered into while Lynwood was under the management of David Terry. Lynwood's existing management seeks the approval of the Authority of these transactions as a part of its attempt to comply^{with} the Authority's rules and regulations in the operating of its sewer system.

This the 29th day of October, 1999.

LYNWOOD UTILITY CORPORATION

By:



Davis Lamb, President

Donald L. Scholes

Donald L. Scholes
BRANSTETTER, KILGORE, STRANCH & JENNINGS
227 Second Avenue, North
Fourth Floor
Nashville, TN 37201-1631
(615) 254-8801

Attorney for Petitioner

State of Tennessee)
)
County of Williamson)

I, Davis Lamb, make oath that he is the President of Lynwood Utility Corporation, the Petitioner herein; that he has read the foregoing Amendment to Petition and contents thereof, and that the contents thereof are true to the best of his knowledge, information, and belief.

Davis Lamb

Davis Lamb

Sworn to and subscribed before me this 29th day of October, 1999.

Knox Hines

Notary Public

My Commission Expires:

My Commission Expires SEPT. 29, 2001

THIS INSTRUMENT PREPARED BY:
Douglas A. Brace, Reg. #3485
ORTALE, KELLEY, HERBERT & CRAWFORD, LLP
200 Fourth Avenue North
Nashville, TN 37219-8985

Collective Ex. 1

PLEDGE AND SECURITY AGREEMENT
(Securities)

THIS PLEDGE AND SECURITY AGREEMENT ("Agreement") dated May 30, 1997, by and between David A. Terry (hereinafter referred to as "Pledgor"), Legends Ridge, LLC, a Tennessee Limited Liability Company ("Borrower") and First Tennessee Bank National Association, with an office in Franklin, Tennessee ("Lender").

W I T N E S S E T H:

WHEREAS, Pledgor is a guarantor of certain additional indebtednesses or obligations of Legends Ridge, LLC, (the "Borrower") in an amount not to exceed Three Million Eight Hundred Eight Thousand and No/100 (\$3,808,000.00) Dollars; and

WHEREAS, Lender has agreed to extend credit to and have transactions with Borrower to such extent, and only to such extent, as Lender may from time to time deem advisable upon Pledgor executing this Agreement for the purpose of securing all of Borrower's indebtedness, present and future, to Lender.

NOW, THEREFORE, in consideration of the foregoing, and to enable Borrower to obtain an additional Two Million Eight Hundred Eight Thousand and No/100 (\$2,808,000.00) Dollars in Loans and One Million and No/100 (\$1,000,000.00) Dollars in Letter(s) of Credit from Lender, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Pledgor agrees as follows:

1. PLEDGE. As collateral security for the payment and performance in full of the Obligations (as hereinafter defined), Pledgor hereby pledges, hypothecates, assigns, transfers, sets over and delivers unto Lender, and hereby grants to Lender a security interest in the collateral described in Schedule A hereto, together with the proceeds thereof and all cash, additional securities or other property at any time and from time to time receivables or otherwise distributable in respect of, in exchange for, or in substitution for any and all such pledged securities (all such pledged securities, the proceeds thereof, cash, dividends, and other property now or hereafter pledged hereunder are hereinafter collectively called the "Pledged Securities").

TO HAVE AND TO HOLD, the Pledged Securities, together with all rights, titles, interests, powers, privileges and preferences pertaining or incidental thereto, unto Lender, its successors

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and assigns; subject, however, to the terms, covenants and conditions hereinafter set forth.

Upon delivery to Lender, the Pledged Securities shall be accompanied by executed stock powers in blank and by such other instruments or documents as Lender or its counsel may reasonably request.

2. **OBLIGATIONS SECURED.** This Agreement is made, and the security interest created hereby is granted to Lender, to secure full payment and performance of any and all indebtedness and other obligations of Borrower to Lender, direct or contingent, however evidenced or denominated, and however or whenever incurred, including without limitation indebtedness incurred pursuant to any past, present or future commitment of Lender to Borrower (collectively the "Obligations"); except that the indebtedness and other liabilities secured by this Agreement shall not include any indebtedness subject to the disclosure requirements of the Federal Truth-in-Lending Act if at the time such indebtedness is created or incurred, any legally required disclosure of this security interest shall not have been made.
3. **REPRESENTATIONS AND WARRANTIES.** Pledgor hereby represents and warrants to Lender (a) that Pledgor is the legal and equitable owner of the Pledged Securities, that Pledgor has the complete and unconditional authority to pledge the Pledged Securities being pledged by it, and holds the same free and clear of all liens, charges, encumbrances and security interests of every kind and nature subject only to a prior Pledge and Security Agreement in favor of Lender dated September 11, 1996; and (b) that no consent or approval of any governmental body or regulatory authority, or of any other party, which was or is necessary to the validity of this pledge, has not been obtained. Borrower further represents and warrants that no part of the Obligations will be used to purchase or carry any "margin stock" as defined in Regulation U of the Board of Governors of the Federal Reserve System, 12 CFR §221.1 et seq.
4. **REGISTRATION IN NOMINEE NAME: DENOMINATIONS.** By virtue of the Special Irrevocable Power of Attorney, Lender shall have the right (in its sole and absolute discretion) to hold the certificates representing the Pledged Securities in its own name or in the name of the Pledgor, endorsed or assigned in blank or in favor of Lender. Upon request and delivery of certificates representing the Pledged Securities to the issuer of the Pledged Securities, Lender may have such Pledged Securities registered in the name of Lender or any nominee or nominees of Lender. Lender shall at all times have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any purpose consistent with this Agreement.

5. REMEDIES UPON DEFAULT. Upon the occurrence of a default in the payment or performance of any of the Obligations, or upon the occurrence of a default or event of default under any other instrument or document now or hereafter further evidencing, securing or otherwise related to any of the Obligation, or in the event that any representation or warranty herein shall prove to have been untrue when made, or in the event that Pledgor or Borrower shall default in the performance of any of its obligations hereunder, or in the event that any bankruptcy or other insolvency proceedings are instituted by or against Pledgor or Borrower; then, and in any such event, Lender shall have all of the rights, privileges and remedies of a secured party under the Uniform Commercial Code as in effect in the State of Tennessee, and without limiting the foregoing, Lender may (a) collect any and all amounts payable in respect of the Pledged Securities and exercise any and all rights, privileges, options and remedies of the holder and owner thereof, and (b) sell, transfer and/or negotiate the Pledged Securities, or any part thereof, at public or private sale, for cash, upon credit or for future delivery as Lender shall deem appropriate, including without limitation, at Lender's option, the purchase of all or any part of the Pledged Securities at any public sale by Lender. Upon consummation of any sale, Lender shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Pledged Securities so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of the Pledgor, and the Pledgor hereby waives (to the extent permitted by law) all rights of redemption, stay or appraisal that Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereinafter enacted. Pledgor hereby expressly waives notice to redeem and notice of the time, place and manner of such sale.

6. APPLICATION OF PROCEEDS. The proceeds of the sale of the Pledged Securities sold pursuant to Section 5 hereof, and the proceeds of the exercise of any of Lender's other remedies hereunder, shall be applied by Lender as follows:

First: To the payment of all costs and expenses incurred by Lender in connection with any such sale, including, but not limited to, all court costs and the reasonable fees and expenses of counsel for Lender in connection therewith, and

Second: To the payment in full of the Obligation, first to accrued interest and thereafter to the unpaid principal amount thereof, to the extent not previously paid by Pledgor or Borrower, and

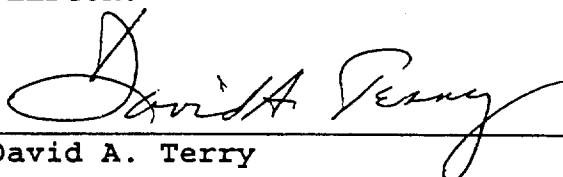
Third: The excess, if any, shall be paid to Pledgor or any other person lawfully thereunto entitled.

7. REIMBURSEMENT OF LENDER. Pledgor or Borrower agrees to reimburse Lender, upon demand, for all expenses, including without limitation reasonable attorney's fees, incurred by it in connection with the administration and enforcement of this Agreement, and agree to indemnify Lender and hold it harmless from and against any and all liability incurred by it hereunder or in connection herewith, unless such liability shall be due to willful misconduct or gross negligence on the part of Lender.
8. NO WAIVER. No failure on the part of Lender to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by Lender preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies are cumulative and are not exclusive of any other remedies provided by law.
9. LIMITATION OF LENDER LIABILITY. Except in the case of their intentional malfeasance or gross negligence, neither Lender nor its employees, agents, representatives, or nominees shall be liable for any loss incurred by Pledgor or Borrower arising out of any act or omission of Lender, its employees, agents, representatives or nominees, with respect to the care, custody or preservation of the Pledged Securities.
10. BINDING AGREEMENT. This Agreement and the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the parties hereto and to all holders of indebtedness secured hereby and their respective successors and assigns.
11. GOVERNING LAW; AMENDMENTS. This Agreement shall in all respects be construed in accordance with and governed by the laws of the State of Tennessee. This Agreement may not be amended or modified, nor may the Pledged Securities be released except in a writing signed by the party to be charged therewith. Time is of the essence with respect to the obligations of Pledgor or Borrower pursuant to this Agreement.
12. FURTHER ASSISTANCE. Pledgor agrees to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements and instruments, as Lender may at any time request in connection with the administration and enforcement of this Agreement or relative to the Pledged Securities or any part thereof or in order to better assure and confirm unto Lender its rights and remedies hereunder.

13. HEADINGS. Section numbers and headings used herein are for convenience only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

IN WITNESS WHEREOF, Pledgor, Borrower and Lender have executed this Agreement, or have caused this Agreement to be duly executed by a duly authorized officer, all as of the date first above written.

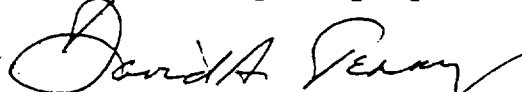
PLEDGOR:



David A. Terry

BORROWER:

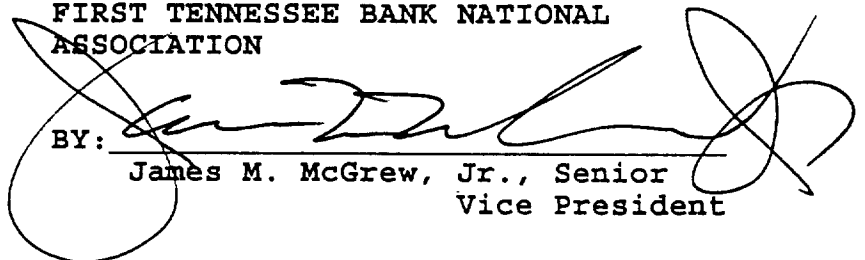
LEGENDS RIDGE, LLC, a Tennessee
Limited Liability Company

BY: 

David A. Terry, Chief Manager

LENDER:

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

BY: 

James M. McGrew, Jr., Senior
Vice President

STATE OF TENNESSEE]
]
COUNTY OF WILLIAMSON]

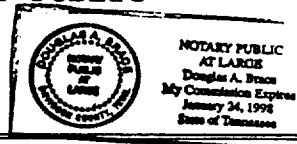
Personally appeared before me, the undersigned, a Notary Public in and for said County and State, the within named David A. Terry, the bargainor, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged that he executed the within instrument for the purposes therein contained.

WITNESS my hand and seal at Franklin, Tennessee, this 30th day of May, 1997.



NOTARY PUBLIC

My commission expires:



STATE OF TENNESSEE]
COUNTY OF WILLIAMSON]

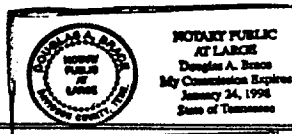
Before me, the undersigned, a Notary Public of the State and County aforesaid, duly commissioned and qualified, personally appeared James M. McGrew, Jr., with whom I am personally acquainted or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged himself to be Senior Vice President of First Tennessee Bank National Association, the within named bargainor, a national banking association, and that he as such Senior Vice President, being authorized so to do, executed the foregoing instrument for the purpose therein contained, by signing the name of the banking association as said Senior Vice President.

WITNESS my hand and seal at Franklin, Tennessee, this 30th day of May, 1997.



NOTARY PUBLIC

My commission expires:



SCHEDULE A

<u>Name of Stock</u>	<u>Certificate Number</u>	<u>Number of Shares</u>
Lynwood Utility Corporation	1	100

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT ("Agreement"), made and entered into as of the 30th day of May, 1997, by and among Lynwood Utility Corporation, a Tennessee Corporation, of Franklin, Tennessee ("Borrower"), David A. Terry and wife, Lauren M. Terry, and Legends Ridge, LLC, a Tennessee Limited Liability Company, ("Guarantors") and FIRST TENNESSEE BANK NATIONAL ASSOCIATION, a national banking association with offices in Franklin, Tennessee ("Lender"),

W I T N E S S E T H:

WHEREAS, Borrower has requested that Lender make a loan to Borrower in the original principal amount not exceeding Three Hundred Five Thousand and No/100 (\$305,000.00) Dollars (the "Loan") on the terms and conditions hereinafter set forth, and for the purpose(s) hereinafter set forth; and

WHEREAS, in order to induce Lender to make the Loan, Borrower and Guarantors have made certain representations to Lender; and

WHEREAS, Lender, in reliance upon the representations and inducements of Borrower and Guarantors, has agreed to make the Loan upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the agreement of Lender to make the Loan, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Guarantors and Lender hereby agree as follows:

ARTICLE I THE LOAN

1.01 Evidence of Loan Indebtedness; Repayment. The Loan shall be evidenced by a Promissory Note of even date herewith, in the original principal amount not exceeding Three Hundred Five Thousand and No/100 (\$305,000.00) Dollars, made and executed by Borrower, payable to the order of Lender, in substantially the form attached hereto as Exhibit A (the "Note"). The Loan shall be payable in accordance with the terms of the Note.

1.02 Purpose(s) of Loan and Use of Proceeds. The purpose of the Loan shall be to make certain capital improvements to increase the operating capacity of Borrower as approved

by Lender. The proceeds of the Loan shall not be used for any other purpose(s).

ARTICLE II
SECURITY

2.01 **Security.** The Secured Obligations (as hereafter defined) shall be secured by the following:

- (a) **Personal Property.** All of Borrower's and Guarantors' right, title and interest in and to any and all of Borrower's and Guarantors' fixtures, personal property, equipment, furniture, tap fees, inventory, accounts receivable, excluding bonded accounts receivable, contract rights, chattel paper, and general intangibles, whether now in existence or owned, or hereafter acquired, entered into, created or arising, and wherever located including proceeds and products derived therefrom whether presently existing or hereafter arising.
- (b) **Guaranties.** Unconditional Continuing Guaranties of Payment of even date herewith, executed by Legends Ridge, LLC, a Tennessee Limited Liability Company, David A. Terry and wife, Lauren M. Terry, jointly and severally (individually and collectively the "Guarantors"), guaranteeing to Lender, among other things, the payment of the indebtedness evidenced by the Note(s) and the performance of the obligations of Borrower to Lender in connection therewith (the "Guaranty").

This Agreement, the Security Agreement, the Guaranty, and any other instruments, documents or agreements now or hereafter securing the Secured Obligations are herein collectively referred to as the "**Security Instruments**". The Security Instruments, together with the Note(s) and any other instruments and documents now or hereafter evidencing, securing or in any way related to the indebtedness evidenced by the Note(s) are herein individually referred to as a "**Loan Document**" and collectively referred to as the "**Loan Documents**".

2.02 **Secured Obligations.** Without limiting any of the provisions thereof, the Security Instruments shall secure:

- (a) The full and timely payment of the indebtedness evidenced by the Note(s), together with interest thereon, and any extensions, modifications and/or renewals thereof and any note(s) given in payment thereof,

- (b) The full and prompt performance of all of the obligations of Borrower to Lender under the Loan Documents to which Borrower is a party,
- (c) The full and prompt payment of all court costs, expenses and costs of whatever kind incident to the collection of the indebtedness evidenced by the Note(s), the enforcement or protection of the security interests of the Security Instruments or the exercise by Lender of any rights or remedies of Lender with respect to the indebtedness evidenced by the Note(s), including but not limited to attorney's fees incurred by Lender, all of which Borrower agrees to pay to Lender upon demand, and
- (d) The full and prompt payment and performance of any and all other indebtedness and other obligations of Borrower to Lender, direct or contingent (including but not limited to obligations incurred as endorser, guarantor or surety), however evidenced or denominated, and however and whenever incurred, including but not limited to indebtedness incurred pursuant to any present or future commitment of Lender to Borrower.
- (e) The guaranties of the Guarantors.

All of the foregoing indebtednesses and other obligations are herein collectively referred to as the "Secured Obligations."

ARTICLE III REPRESENTATIONS AND WARRANTIES

Borrower and Guarantors hereby represent and warrant to Lender as follows:

- 3.01 Status of Borrower. Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee; and has the power to own and operate the Property, to carry on its business as now conducted and to enter into and to perform its obligations under this Agreement and the other Loan Documents to which it is a party. Borrower is duly qualified to do business and is in good standing in the State of Tennessee and in each state in which a failure to be so qualified would have a material adverse effect on Borrower's financial position or its ability to conduct its business in the manner now conducted.
- 3.02 Authorization. Borrower has full legal right, power and authority to conduct its business and affairs in the

manner contemplated by the Loan Documents, and to enter into and perform its obligations thereunder, without the consent or approval of any other person, firm, governmental agency or other legal entity. The execution and delivery of this Agreement, the borrowing hereunder, the execution and delivery of each Loan Document to which Borrower is a party, and the performance by Borrower of its obligations thereunder are within the powers of Borrower. Borrower has received all necessary governmental approvals, if any were required, and do not and will not contravene or conflict with any provision of law, any applicable judgment, ordinance, regulation or order of any court or governmental agency, or any agreement binding upon Borrower.

- 3.03 Validity and Binding Effect. This Agreement and the other Loan Documents are the legal, valid and binding obligations of the parties thereto, enforceable in accordance with their respective terms.
- 3.04 Other Transactions. There are no prior loans, liens, security interests, agreements or other financings upon which Borrower is obligated or by which Borrower is bound that will in any way permit any third person to have or obtain priority over Lender as to any of the collateral security granted to Lender pursuant to this Agreement and the other Security Instruments. Consummation of the transactions hereby contemplated and the performance of the obligations of Borrower under and by virtue of the Loan Documents to which Borrower is a party will not result in any breach of, or constitute a default under, any mortgage, security deed or agreement, deed of trust, lease, bank loan or credit agreement, license, franchise or any other instrument or agreement to which Borrower is a party or by which Borrower may be bound or affected.
- 3.05 Place of Business. The records with respect to all intangible personal property constituting a part of the collateral security for the Secured Obligations are maintained at Borrower's primary place of business. All tangible personal property constituting a part of the collateral security for the Secured Obligations is or will be located at Borrower's primary place of business.
- 3.06 Litigation. There are no actions, suits or proceedings pending, or, to the knowledge of Borrower, threatened, against or affecting Borrower or involving the validity or enforceability of any of the Loan Documents or the priority of the liens thereof, at law or in equity, or before any governmental or administrative agency, except actions, suits and proceedings that are fully covered by insurance and that, if adversely determined, would not impair the ability of Borrower to perform each and every

one of its obligations under and by virtue of the Loan Documents; and to Borrower's knowledge, Borrower is not in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority.

- 3.07 Financial Statements. The financial statement(s) of Borrower and Guarantors, heretofore delivered to Lender, are true and correct in all respects, have been prepared in accordance with generally accepted accounting principles consistently applied, and fairly present the financial conditions of the subjects thereof as of the date(s) thereof. No material adverse change has occurred in the financial condition of Borrower or Guarantors since the date(s) thereof, and no additional borrowings have been made by Borrower or Guarantors since the date(s) thereof.
- 3.08 No Defaults. No default or event of default by Borrower exists under this Agreement or any of the other Loan Documents, or under any other instrument or agreement to which Borrower is a party or by which Borrower or its properties may be bound or affected, and no event has occurred and is continuing that with notice or the passage of time or both would constitute a default or event of default thereunder.
- 3.09 Compliance With Law. Borrower has obtained all necessary licenses, permits and governmental approvals and authorizations necessary or proper in order to conduct its business and affairs as heretofore conducted and as hereafter intended to be conducted. Borrower is in compliance with all laws, regulations, decrees and orders applicable to it (including but not limited to laws, regulations, decrees and orders relating to environmental, occupational and health standards and controls, antitrust, monopoly, restraint of trade or unfair competition), except to the extent that non-compliance, in the aggregate, cannot reasonably be expected to have a material adverse effect on its business, operations, property or financial condition and will not materially adversely affect its ability to perform its obligations under the Loan Documents to which it is a party. Borrower has not received, and does not expect to receive, any order or notice of any violation or claim of violation of any law, regulation, decree, rule, judgment or order of any governmental authority or agency relating to the ownership and/or operation of its properties, as to which the cost of compliance is or might be material and the consequences of non-compliance would or might be materially adverse to its business, operations, property or financial condition, or which would or might impair

its ability to perform its obligations under the Loan Documents to which it is a party.

- 3.10 No Burdensome Restrictions. No instrument, document or agreement to which Borrower is a party or by which it or its properties may be bound or affected materially adversely affects, or may reasonably be expected to so affect, the business, operations, property or financial condition thereof.
- 3.11 Taxes. Borrower has filed or caused to be filed all tax returns that to its knowledge are required to be filed (except for returns that have been appropriately extended), and has paid all taxes shown to be due and payable on said returns and all other taxes, impositions, assessments, fees or other charges imposed on it by any governmental authority, agency or instrumentality, prior to any delinquency with respect thereto (other than taxes, impositions, assessments, fees and charges currently being contested in good faith by appropriate proceedings, for which appropriate amounts have been reserved). No tax liens have been filed against Borrower or any of the property thereof.

ARTICLE IV COVENANTS AND AGREEMENTS

Borrower and Guarantors covenant and agree that during the term of this Agreement:

- 4.01 Payment of Secured Obligations. Borrower shall pay the indebtedness evidenced by the Note(s) according to the tenor thereof, and shall timely pay or perform, as the case may be, all of the other Secured Obligations.
- 4.02 Sales of and Encumbrances on Collateral. Borrower will not sell, exchange, lease, negotiate, pledge, assign or grant any security interest in or otherwise dispose of the collateral security described in the Security Instruments to anyone other than Lender, nor permit any other lien of any kind to attach thereto, nor permit same to be attached to or commingled with other goods, without Lender's prior written consent.
- 4.03 Further Assurances. Borrower will take all actions requested by Lender to create and maintain in Lender's favor valid liens upon, security titles to and/or perfected security interests in any collateral security described in the Security Instruments and all other security for the Secured Obligations now or hereafter held by or for Lender. Without limiting the foregoing, Borrower agrees to execute such further instruments

(including financing statements and continuation statements) as may be required or permitted by any law relating to notices of, or affidavits in connection with, the perfection of Lender's security interests, and to cooperate with Lender in the filing or recording and renewal thereof.

4.04

Financial Statements. (a) Borrower shall furnish to Lender (i) as soon as practicable and in any event within ninety (90) days after the end of each fiscal year of Borrower, a balance sheet of Borrower as of the close of such fiscal year, a statement of earnings and retained earnings of Borrower as of the close of such fiscal year, and a source and application of funds statement for Borrower for such fiscal year, all in reasonable detail, prepared in accordance with accepted accounting principles consistently applied, and accompanied by a certificate of Borrower, stating that to the best of his or her knowledge, Borrower has kept, observed, performed and fulfilled each covenant, term and condition of this Agreement and the other Loan Documents during the preceding fiscal year and that no Event of Default hereunder has occurred and is continuing (or if an Event of Default has occurred and is continuing, specifying the nature of same, the period of existence of same and the action Borrower proposes to take in connection therewith), (ii) as soon as practicable and in any event within thirty (30) days after the end of each quarter-annual period of Borrower's fiscal year, a balance sheet of Borrower as of the close of such quarterly period, a statement of earnings and retained earnings of Borrower as of the close of such quarterly period, and a source and application of funds statement for Borrower as of the close of such quarterly period, all in reasonable detail, and prepared in accordance with generally accepted accounting principles consistently applied, (iii) promptly upon receipt thereof, copies of all accountants' reports and accompanying financial reports submitted to Borrower by independent accountants in connection with each annual examination of Borrower, (iv) with reasonable promptness, such other financial data as Lender may reasonably request, and (v) the annual statement required in (i), above, shall be an audited statement by an independent Certified Public Accountant.

(b) Guarantors shall provide current, updated individual financial statements on an annual basis in a form and substance acceptable to Lender.

- 4.05 Maintenance of Books and Records; Inspection. Borrower shall maintain its books, accounts and records in accordance with generally accepted accounting principles consistently applied, and permit any person designated by Lender in writing, at Lender's expense, to visit and inspect any of its properties (including but not limited to the collateral security described in the Security Instruments), corporate books and financial records, and to discuss its accounts, affairs and finances with Borrower or the principal officers of Borrower during reasonable business hours, all at such times as Lender may reasonably request.
- 4.06 Insurance. Without limiting any of the requirements of any of the other Loan Documents, and as applicable, Borrower shall maintain, in amounts satisfactory to Lender (i) public liability insurance, (ii) worker's compensation insurance (or maintain a legally sufficient amount of self insurance against worker's compensation liabilities, with adequate reserves, under a plan approved by Lender), (iii) fire and extended coverage insurance on its properties (including but not limited to the collateral security, now or hereafter securing payment and performance of the Secured Obligations), against such hazards and in at least such amounts as is customary in Borrower's business, and (iv) rent or business interruption insurance against loss of income arising out of damage or destruction by such hazards as presently are included in so-called "extended coverage". At the request of Lender, Borrower will deliver forthwith a certificate executed by a duly authorized officer of Borrower, specifying the details of such insurance in effect. All policies of insurance shall provide that such insurance shall be payable to Borrower and Lender as their respective interests may appear, and that at least thirty (30) days' prior written notice of cancellation or modification of the policy shall be given to Lender by the insurer. Borrower agrees that there shall be no recourse against Lender for the payment of premiums, commission, assessments or advances in respect of any such policy, and at Lender's request shall provide Lender with the agreement of the insurer(s) to this effect. At the request of Lender, all such policies shall be delivered to and held by Lender. Lender may, at its option, act as attorney for Borrower in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts with respect thereto, and this power, being coupled with an interest, shall be irrevocable prior to payment in full of the Loans and performance of all of the obligations of Borrower to Lender in connection therewith.

- 4.07 Taxes and Assessments; Tax Indemnity. Borrower shall (a) file all tax returns and appropriate schedules thereto that are required to be filed under applicable law, prior to the date of delinquency, (b) pay and discharge all taxes, assessments and governmental charges or levies imposed upon Borrower, upon its income and profits or upon any properties belonging to it, prior to the date on which penalties attach thereto, and (c) pay all taxes, assessments and governmental charges or levies that, if unpaid, might become a lien or charge upon any of its properties; provided, however, that Borrower in good faith may contest any such tax, assessment, governmental charge or levy so long as appropriate reserves are maintained with respect thereto. If any tax is or may be imposed by any governmental entity in respect of sales of Borrower's inventory or the merchandise that is the subject of such sales, or as a result of any other transaction of Borrower, which tax Lender is or may be required to withhold or pay, Borrower agrees to indemnify Lender and hold Lender harmless in connection with such taxes, and Borrower shall immediately reimburse Lender for any such taxes paid by Lender and added to the Secured Obligations pursuant to the terms hereof.
- 4.08 Corporate Existence. Borrower shall maintain its corporate existence and good standing in the state of its incorporation, and its qualification and good standing as a foreign corporation in each jurisdiction in which such qualification is necessary pursuant to applicable law.
- 4.09 Compliance with Law and Other Agreements. Borrower shall maintain its business operations and property owned or used in connection therewith in compliance with (i) all applicable federal, state and local laws, regulations and ordinances governing such business operations and the use and ownership of such property, and (ii) all agreements, licenses, franchises, indentures and mortgages to which Borrower is a party or by which Borrower or any of its properties is bound. Without limiting the foregoing, Borrower shall pay all of its indebtedness promptly in accordance with the terms thereof.
- 4.10 Notice of Default. Borrower shall give written notice to Lender of the occurrence of any default, event of default or Event of Default under this Agreement or any other Loan Document promptly upon the occurrence thereof.
- 4.11 Notice of Litigation. Borrower shall give notice, in writing, to Lender of (i) any actions, suits or proceedings wherein the amount at issue is in excess of \$10,000, instituted by any persons whomsoever against Borrower or affecting any of Borrower's assets in connection with any

applicable federal, state or local laws or regulations, and (ii) any dispute, not resolved within sixty (60) days of the commencement thereof, between Borrower on the one hand and any governmental regulatory body on the other hand, which dispute might interfere with the normal operations of Borrower.

- 4.12 **Mergers, Consolidations, Acquisitions and Sales.** Without the prior express written consent of Lender, Borrower shall not (a) be a party to any merger, consolidation or corporate reorganization, nor (b) purchase or otherwise acquire all or substantially all of the assets or stock of, or any partnership or joint venture interest in, any other person firm or entity, nor (c) sell, transfer, convey grant a security interest in or lease all or any substantial part of its assets, nor (d) create any subsidiaries nor convey any of its assets to any subsidiary.
- 4.13 **Dividends, Etc.** Borrower shall not declare or pay any dividend of any kind, in cash or in property, on any class of the capital stock of Borrower, nor purchase, redeem, retire or otherwise acquire for value any shares of such stock, nor make any distribution of any kind in respect thereof, nor make any return of capital to shareholders, nor make any payments in respect of any pension, profit sharing, retirement, stock option, stock bonus, incentive compensation or similar plan (except as required or permitted hereunder), without the prior written consent of Lender. Borrower shall not make any payment of any type to an officer, director or stockholder of Borrower without the prior written consent of Lender.
- 4.14 **Guaranties; Loans.** Borrower shall not guarantee nor be liable in any manner, whether directly or indirectly, or become contingently liable after the date of this Agreement in connection with the obligations or indebtedness of any person or persons whomsoever, except for the indorsement of negotiable instruments payable to Borrower for deposit or collection in the ordinary course of business. Borrower shall not make any loan, advance or extension of credit to any person other than in the normal course of its business.
- 4.15 **Management, Ownership** Borrower shall not permit any significant change in the ownership, executive staff or management of Borrower without the prior written consent of Lender. The ownership, executive staff and management of Borrower are material factors in Lender's willingness to institute and maintain a lending relationship with Borrower.

- 4.16 Hazardous Substances. No hazardous substances have been disposed of on or released or discharged (including ground water contamination) from the Borrower relating to Borrower's place of business. No private or governmental lien or judicial or administrative notice or action related to hazardous substances or other environmental matters has been filed against the Borrower or otherwise issued to or received by Borrower. Lender may request that a Phase I Environmental study be conducted on said property, at Borrower's expense.
- 4.17 Tap Fees. Borrower and Legends Ridge, LLC shall collect appropriate tap fees at the time each lot owned by Legends Ridge, LLC and served by Borrower is closed. Said tap fees will be immediately applied toward payment of the Loan until paid in full.

ARTICLE V
DEFAULT AND REMEDIES

- 5.01 Events of Default. The occurrence of any of the following shall constitute an Event of Default hereunder:
- (a) Default in the payment of the principal or interest on the indebtedness evidenced by the Note(s) in accordance with the terms of the Note(s);
 - (b) Any misrepresentation by Borrower or Guarantors as to any material matter hereunder or under any of the other Loan Documents, or delivery by Borrower or Guarantors of any schedule, statement, resolution, report, certificate, notice or writing to Lender that is untrue in any material respect on the date as of which the facts set forth therein are stated or certified;
 - (c) Failure of Borrower or Guarantors to perform any of its obligations under this Agreement, the Note(s), any of the Security Instruments or any of the other Loan Documents;
 - (d) Borrower or Guarantors (i) shall generally not pay or shall be unable to pay its debts as such debts become due; or (ii) shall make an assignment for the benefit of creditors or petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (iii) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or

hereafter in effect; or (iv) shall have had any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or an adjudication or appointment is made; or (v) shall indicate, by any act or omission, its consent to, approval of or acquiescence in any such petition, application, proceeding or order for relief or the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (vi) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for period of sixty (60) days or more;

- (e) Borrower or Guarantors shall die or be liquidated, dissolved, partitioned or terminated, or the charter or certificate of authority thereof shall expire or be revoked, as applicable;
- (f) A default or event of default shall occur under any of the other Loan Documents;
- (g) Borrower or Guarantors shall default in the timely payment or performance of any obligation now or hereafter owed to Lender in connection with any other indebtedness of Borrower or Guarantors, now or hereafter owed to Lender;
- (h) Lender shall reasonably suspect the occurrence of one or more of the aforesaid events of default and Borrower or Guarantors, upon the request of Lender, shall fail to provide evidence reasonably satisfactory to Lender that such event or events of default have not in fact occurred; or
- (i) Lender shall reasonably deem itself to be insecure.

5.02

Acceleration of Maturity; Remedies. Upon the occurrence of any Event of Default described in subsection 5.01 (a) hereof, the indebtedness evidenced by the Note(s) as well as any and all other indebtedness of Borrower to Lender shall be immediately due and payable in full; and upon the occurrence of any other Event of Default described above, Lender at any time thereafter may at its option accelerate the maturity of the indebtedness evidenced by the Note(s) as well as any and all other indebtedness of Borrower to Lender; all without notice of any kind. Upon the occurrence of any such Event of Default and the acceleration of the maturity of the indebtedness evidenced by the Note(s):

- (a) Any obligation of Lender to advance any theretofore undisbursed proceeds of the Loans shall immediately

cease and be of no further force nor effect, and Lender shall be immediately entitled to exercise any and all rights and remedies possessed by Lender pursuant to the terms of the Security Instruments and all of the other Loan Documents;

- (b) Lender shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Tennessee; and
- (c) Lender shall have any and all other rights and remedies that Lender may now or hereafter possess at law, in equity or by statute.

5.03 Remedies Cumulative; No Waiver. No right, power or remedy conferred upon or reserved to Lender by this Agreement or any of the other Loan Documents is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder, under any of the other Loan Documents or now or hereafter existing at law, in equity or by statute. No delay or omission by Lender to exercise any right, power or remedy accruing upon the occurrence of any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every right, power and remedy given by this Agreement and the other Loan Documents to Lender may be exercised from time to time and as often as may be deemed expedient by Lender.

5.04 Proceeds of Remedies. Any or all proceeds resulting from the exercise of any or all of the foregoing remedies shall be applied as set forth in the Loan Document (s) providing the remedy or remedies exercised; if none is specified, or if the remedy is provided by this Agreement, then as follows:

First, to the costs and expenses, including reasonable attorney's fees, incurred by Lender in connection with the exercise of its remedies;

Second, to the expenses of curing the default that has occurred, in the event that Lender elects, in its sole discretion, to cure the default that has occurred;

Third, to the payment of the Secured Obligations, including but not limited to the payment of the principal of and interest on the indebtedness evidenced by the Note(s), in such order of priority as Lender shall determine in its sole discretion; and

Fourth, the remainder, if any, to Borrower or to any other person lawfully thereunto entitled.

- 5.05 Timely Receipt of Financial Statements. In the event of default for which the Lender does not accelerate the Loan, including the failure of Borrower or Guarantors to provide the financial statements as required hereunder or under the Loan Agreement, the applicable interest rate to the Loan, for a period beginning three (3) days after written notice of such default and ending upon the curing of said noticed default, shall increase one (1%) percent for the first thirty (30) days of said default and increase an additional one (1%) percent during each thirty (30) day period thereafter during which the notice default continues. Such default interest rates shall apply to the outstanding principal balance of the Loan; however, such interest rate shall not exceed the maximum contract rate which may be lawfully charged by Lender under applicable law. Upon the curing of the noticed default, the interest rate on the Loan shall revert to the initially agreed upon interest rate effective on the date on which the default is cured.

ARTICLE VI MISCELLANEOUS

- 6.01 Performance by Lender. If Borrower shall default in the payment, performance or observance of any covenant, term or condition of this Agreement, Lender may, at its option, pay, perform or observe the same, and all payments made or costs or expenses incurred by Lender in connection therewith (including but not limited to reasonable attorney's fees), with interest thereon at the default rate provided in the Note(s) (if none, then at the maximum rate from time to time allowed by applicable law), shall be immediately repaid to Lender by Borrower and shall constitute a part of the Secured Obligations and be secured hereby until fully repaid. Lender shall be the sole judge of the necessity for any such actions and of the amounts to be paid.
- 6.02 Successors and Assigns Included in Parties. Whenever in this Agreement one of the parties hereto is named or referred to, the heirs, legal representatives, successors, successors-in-title and assigns of such parties all be included, and all covenants and agreements contained in this Agreement by or on behalf of Borrower or by or on behalf of Lender shall bind and inure to the benefit of their respective heirs, legal representatives, successors-in-title and assigns, whether so expressed or not.

- 6.03 Costs and Expenses. Lender shall not incur any costs or expense whatsoever in connection with the making, administration, servicing or collection of the Loan(s). Borrower agrees to pay any and all such costs and expenses, including but not limited to filing fees, recording taxes, insurance premiums and reasonable attorney's fees, promptly upon demand of Lender.
- 6.04 Assignment. The Note(s), this Agreement and the other Loan Documents may be endorsed, assigned and/or transferred in whole or in part by Lender, and any such holder and/or assignee of the same shall succeed to and be possessed of the rights and powers of Lender under all of the same to the extent transferred and assigned. Lender may grant participations in all or any portion of its interest in the indebtedness evidenced by the Notes. Borrower shall not assign any of its rights nor delegate any of its duties hereunder or under any of the other Loan Documents without the prior express written consent of Lender.
- 6.05 Time of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of Borrower hereunder and under all of the other Loan Documents.
- 6.06 Severability. If any provision(s) of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.
- 6.07 Article and Section Headings; Defined Terms. Numbered and titled article and section headings and defined terms are for convenience only and shall not be construed as amplifying or limiting any of the provisions of this Agreement.
- 6.08 Notices. Any and all notices, elections or demands permitted or required to be made under this Agreement shall be in writing, signed by the party giving such notice, election or demand and shall be delivered personally, telecopied, telexed, or sent by certified mail or nationally recognized courier service (such as Federal Express), to the other party at the address set forth below, or at such other address as may be supplied in writing and of which receipt has been acknowledged in writing. The date of personal delivery, telecopy or telex or the date of mailing (or delivery to such courier service), as the case may be, shall be the date of such

notice, election or demand. For the purposes of this Agreement:

The Address of Lender is:

First Tennessee Bank National Association
231 Public Square
P.O. Box 100
Franklin, TN 37065

ATTENTION: James M. McGrew, Jr.
Senior Vice President

The Address of Borrower is:

Lynwood Utility Corporation
180 Cottonwood Drive
Franklin, TN 37069

ATTENTION: David A. Terry, President

6.09

Interest and Loan Charges Not to Exceed Maximum Amounts Allowed by Law. Anything in this Agreement, the Note(s), the Security Instruments or any of the other Loan Documents to the contrary notwithstanding, in no event whatsoever, whether by reason or advancement of proceeds of the Loan(s), acceleration of the maturity of the unpaid balance of the Loans or otherwise, shall the interest and loan charges agreed to be paid to Lender for the use of the money advanced or to be advanced hereunder exceed the maximum amounts collectible under applicable laws in effect from time to time. It is understood and agreed by the parties that, if for any reason whatsoever the interest or loan charges paid or contracted to be paid by Borrower in respect of the Loans shall exceed the maximum amounts collectible under applicable laws in effect from time to time, then ipso facto, the obligation to pay such interest and/or loan charges shall be reduced to the maximum amounts collectible under applicable laws in effect from time to time, and any amounts collected by Lender that exceed such maximum amounts shall be applied to the reduction of the principal balance(s) of the Loans and/or refunded to Borrower so that at no time shall the interest or loan charges paid or payable in respect of the Loans exceed the maximum amounts permitted from time to time by applicable law.

6.10

Waiver of Right to Trial by Jury. Each party to this Agreement hereby expressly waives any right to trial by jury of any claim, demand, action or cause of action (a) arising under this Agreement or any other instrument, document or agreement executed or delivered in connection

herewith, or (b) in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect to this Agreement or any other instrument, document or agreement executed or delivered in connection herewith, or the transactions related hereto or thereto, in each case whether now existing or hereafter arising; and each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by court trial without a jury, and that any party to this agreement may file an original counterpart or a copy of this section with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

6.11 Miscellaneous. This Agreement shall be construed and enforced under the laws of the State of Tennessee. No amendment or modification hereof shall be effective except in a writing executed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, or have caused this Agreement to be executed by their duly authorized officers, as of the day and year first above written.

LENDER:

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

BY: 

James M. McGrew, Jr.,
Senior Vice President

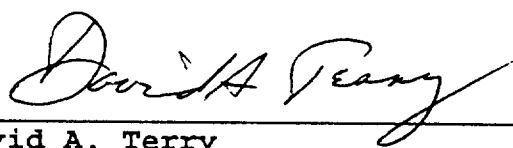
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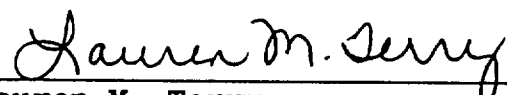
LYNWOOD UTILITY CORPORATION

BY: 

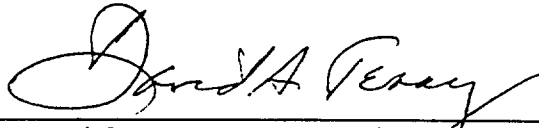
David A. Terry, President

GUARANTORS:


David A. Terry


Lauren M. Terry

LEGENDS RIDGE, LLC, a Tennessee
Limited Liability Company

BY: 
David A. Terry, Chief Manager

F:\FTB\LEGENDS2.LSA

SECURITY AGREEMENT

(Lynwood)

THIS AGREEMENT made this 30th day of May, 1997, by and between First Tennessee Bank National Association ("Secured Party"), and Lynwood Utility Corporation ("Borrower").

Section 1. Security Interest; Obligation Secured. Borrower hereby grants to Secured Party a security interest in, and grants, bargains, sells, conveys, assigns and transfers, subject to the terms hereof, the property rights described in Section 2 (herein called "Collateral") to secure payment or other performance of the indebtedness evidenced by a Promissory Note of even date herewith, executed by Lynwood Utility Corporation, a Tennessee corporation, ("Borrower"), in the aggregate principal amount of Three Hundred Five Thousand and No/100 (\$305,000.00) Dollars, and any future, direct or indirect indebtedness or obligation of Borrower to Lender (herein called "Indebtedness"). Borrower shall have the right to the possession and use of Collateral in any lawful manner not inconsistent with this Agreement until default hereunder.

Section 2. Description of Collateral. (a) The Collateral includes all of the Borrower's right, title and interest in and to any and all of Borrower's fixtures, personal property, equipment, furniture, tap fees, inventory, accounts receivable, excluding bonded accounts receivable, contract rights, chattel paper, and general intangibles, whether now in existence or owned, or hereafter acquired, entered into, created or arising, and wherever located,

(b) The Collateral also includes proceeds and products derived from the Collateral whether presently existing or hereafter arising.

Section 3. Representations, Covenants and Warranties of Borrower. (a) Borrower will, at its cost and expense, execute, deliver, file or record (in such manner and form as Secured Party may require) a financing statement or other paper that may be necessary or desirable or that the Secured Party may request in order to create, reserve, perfect or validate any security interest granted hereby or to enable Secured Party to exercise and enforce its rights hereunder. The right is expressly granted to Secured Party, in its discretion, to file one or more financing statements under the Uniform Commercial Code naming Borrower as Debtor and Secured Party as Secured Party and indicating therein the Collateral herein.

(b) Borrower will (i) keep such books and records pertaining to the Collateral at such office or offices of Borrower as shall be satisfactory to Secured Party; (ii) permit representatives of Secured Party at any time to inspect and make abstracts from Borrower's books and records pertaining to the Collateral; and

(iii) furnish to Secured Party such information and reports regarding the Collateral and Borrower's financial status as Secured Party may from time to time require.

(c) Borrower will transmit to Secured Party promptly all information that it may have or receive which might in any way affect the value of the Collateral or Secured Party's rights or remedies with respect thereto.

(d) Borrower will not sell, assign or create a security interest in or otherwise encumber any of the Collateral to or in favor of anyone other than Secured Party, except as set out herein.

(e) Borrower will not use or permit the Collateral to be used for any unlawful purpose or in violation of any federal, state or municipal law, statute or ordinance.

(f) Borrower will indemnify Secured Party against all claims arising out of or in connection with Borrower's ownership or use of the Collateral.

(g) Borrower shall procure, keep in force, and pay for, casualty insurance on the fixed assets which are part of the Collateral in an amount at least equal to the replacement value of such fixed assets, and such policies evidencing said insurance shall be furnished to Secured Party. If Borrower fails to furnish said insurance or fails to pay the premiums therefor, Secured Party may do so or may obtain insurance of its interest only, adding the amount of any such premium thereof to the other amounts secured hereby, however, Secured Party is under no obligation nor duty to pay such premiums or perfect such insurance. Borrower hereby assigns to Secured Party any return or unearned premiums which may be due upon cancellation of any of said policies for any reason whatsoever, and directs the insurers to pay Secured Party any amount so due, unless the Secured Party has been previously fully satisfied. In order to collect such return or unearned premiums or the benefits of such insurance, the Secured Party or any of its officers, agents, or employees are hereby appointed Borrower's attorney-in-fact to endorse any draft or check which may be payable to Borrower; any balance of insurance proceeds remaining after payment in full of all amounts owing to Secured Party shall be paid to Borrower. Such return or unearned insurance premium or the benefits of such insurance, may, at Secured Party's option, be used for other insurance or to repair, restore, or replace the Collateral, or may be applied to any indebtedness secured hereunder, and if the indebtedness is payable in installments, then the installments in inverse order, satisfying the final maturing installments first.

(h) Borrower will not permit any of the goods to be removed from the location specified herein, except for repair or replacement performed in the ordinary course of business, and

Borrower will promptly notify Secured Party of any change of Borrower's residence, or in the location of the Collateral within the state, and Borrower will not remove the Collateral from the county of the Borrower's residence or from the county where the property is to be located as shown herein without the prior written consent of Secured Party, and will permit Secured Party to inspect the Collateral at any reasonable time.

(i) Borrower will not permit anything to be done that may impair the value of any of the goods or the security intended to be afforded by this Agreement.

(j) Borrower represents that the collateral described herein is unencumbered, free and clear of any liens, subject to a prior Security Agreement in favor of Lender dated September 11, 1996.

Section 4. Expenses. Borrower will, upon demand, pay to Secured Party forthwith the amount of all expenses including the reasonable attorney's fees and legal expenses incurred by Secured Party in seeking to collect or enforce any rights in the Collateral and, upon any default by Borrower, in seeking to collect the Indebtedness.

Section 5. General Authority. Upon default on Borrower's part hereunder, and after expiration of any applicable cure periods, Borrower hereby irrevocably appoints Secured Party as Borrower's true and lawful attorney-in-fact with full power of substitution, in Secured Party's name or Borrower's name or otherwise, for Secured Party's sole use and benefit, but at Borrower's cost and expense, to exercise at any time and from time to time all or any of the following rights with respect to all or any of the Collateral:

(a) To demand, sue for collection, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof;

(b) To receive, take, endorse, assign and deliver any and all checks, notes, drafts, documents and other property taken or received by Secured Party in connection therewith;

(c) To settle, compromise, compound, prosecute or defend any action or proceeding with respect thereof;

(d) To sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof, as fully and effectually as if Secured Party were the absolute owner thereof; and

(e) To extend the time of payment and to make any allowance and other adjustments with reference thereto; provided, however, the exercise by Secured Party of or failure to so exercise any such authority shall in no manner affect Borrower's inability to Secured

Party hereunder or in connection with the indebtedness, and provided further, that Secured Party shall be under no obligation or duty to exercise any of the powers hereby conferred upon it and it shall be without liability for any act or failure to act in connection with the collection of, or the preservation of any rights under, any of the Collateral. Secured Party shall not be bound to take any steps necessary to preserve rights in any instrument or lease against prior parties.

Section 6. Events of Default, Acceleration. Any or all of the Indebtedness shall, at the option of Secured Party, become immediately due and payable without notice or demand upon the occurrence of any of the following events of default:

(a) Default in the payment or performance of any Indebtedness, obligation or covenant of Borrower contained herein or in any note, loan agreement, or other document evidencing any of the Indebtedness secured hereby and not cured within any applicable cure period, or if there is no other applicable cure period, within fifteen (15) days after notice of such default is given to Borrower; or

(b) Loss, destruction, sale (other than in the ordinary course of business) or unauthorized encumbrance of any of the Collateral; or

(c) Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Borrower proves to have been false in any material respect when made or furnished; or

(d) Dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by or the commencement of any proceedings under any bankruptcy or insolvency law by or against the Borrower; or

(e) Permitting a judgment against Borrower to remain unsatisfied for more than thirty (30) days.

Section 7. Rights and Remedies on Default. Upon the occurrence of any such event of default, and at any time thereafter, Secured Party may exercise from time to time any rights and remedies available to it under applicable law. Any notice of intended disposition of any of the Collateral required by law shall be deemed reasonable if such notice is given at least five (5) days before the time of such disposition. Any proceeds of any disposition by Secured Party may be applied to the payment of reasonable expenses in connection with the Collateral, including reasonable attorney's fees and legal expenses, and any balance of such proceeds may be applied by Secured Party toward the payment of the Indebtedness in accordance herewith.

Section 8. General. Secured Party shall not be deemed to have waived any of Secured Party's rights hereunder or under any other agreement, instrument or paper signed by Borrower unless such waiver be in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. Any notice from Secured Party to Borrower, if mailed, shall be deemed given when mailed, postage prepaid, addressed to Borrower at Borrower's address shown above, or at any other address of Borrower appearing on Secured Party's records. The covenants, representations, warranties and agreements herein set forth shall be binding upon Borrower, its successors and assigns. Unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code in the State of Tennessee shall have the meanings therein stated.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

SECURED PARTY:

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

BY: 

Its: 

BORROWER:

LYNWOOD UTILITY CORPORATION, a
Tennessee corporation

BY: 

David A. Terry, President



GUARANTY AGREEMENT

For Value Received, And in consideration of credit given or to be given, advances made or to be made, or other financial accommodation from time to time afforded or to be afforded to

LYNWOOD UTILITY CORPORATION

(hereinafter called the "Borrower") and/or his, her, their or its successors or assigns, by First Tennessee Bank National Association, or its successors, endorsees, transferees and assigns (all of which are hereinafter called the "Bank"), the undersigned hereby jointly and severally, for themselves, their heirs, executors, administrators and successors, guarantee the full and prompt payment to the Bank, at maturity and at all times thereafter, of any and all indebtedness, obligations and liabilities of every kind and nature (all of which are hereinafter collectively referred to as "indebtedness"), however created, arising or evidenced, of the Borrower to the Bank (including all liabilities of any partnership created or arising while the Borrower may have been or may be a member thereof), whether now existing or hereafter created or arising, whether direct or indirect, absolute or contingent, joint or several, and howsoever owned, held or acquired, whether through discount, overdraft, purchase, direct loan or as collateral, or otherwise; together with all expenses, legal and/or otherwise (including court costs and attorney's fees) incurred by the Bank in collecting or endeavoring to collect such indebtedness or any part thereof, in protecting any collateral, and in enforcing this guaranty. The right of recovery, however, against each of the undersigned is limited to

THREE HUNDRED FIVE THOUSAND AND NO/100----- Dollars (\$ 305,000.00)
plus interest on all loans and/or advances hereunder and all expenses hereinbefore mentioned.

THIS GUARANTY SHALL BE A CONTINUING, ABSOLUTE, AND UNCONDITIONAL GUARANTY and shall apply to and cover all loans, discounts or renewals thereof, made by the Bank to the Borrower at any time, and any and all indebtedness, of any nature and howsoever arising or created or evidenced, now owing or hereafter created to the Bank by the Borrower, and shall remain in full force and effect until written notice of its discontinuance, addressed to the President of the Bank, shall be actually received by the Bank (the burden of proof of receipt by the Bank of such notice being in all cases upon the undersigned), and also until any and all said indebtedness, or any extensions or renewals thereof, existing before receipt of such notice, and expenses in connection therewith, shall be fully paid. Regardless of when a renewal or extension of pre-termination debt occurs (with or without adjustment of interest rate or other terms), the debt is deemed to have been incurred prior to termination to the extent of the renewal or extension, and to be fully covered by this guaranty. The death, dissolution or withdrawal of any one or more of the undersigned shall not terminate this guaranty until notice of any such death, dissolution or withdrawal, given as above provided, shall have actually been received by the Bank, and until all of said indebtedness, or any extensions or renewals thereof, existing before receipt of such notice shall be fully paid. And in the event of any such death, dissolution or withdrawal and notice thereof to the Bank, this guaranty shall, notwithstanding, continue and remain in force against the survivor or survivors, or the remainder, of the undersigned until discontinued as hereinabove provided.

The Bank is hereby authorized to make from time to time, without notice to anyone, any renewals or extensions, (whether such renewals or extensions be in whole or in part and without limit as to the number of such extensions or of the renewal periods thereof, and without notice to or further assent from the undersigned), sales, pledges, surrenders, compromises, settlements, releases, indulgences, alterations, substitutions, exchanges, changes in, modifications, or other dispositions including, without limitation, cancellations, of all or any part of the collateral pledged to secure the indebtedness and all or any part of said indebtedness, either express or implied, or of any contracts or instruments evidencing any thereof, or of any security or collateral therefor, and/or take any security for or other guarantees upon any of said indebtedness, and the liability of the undersigned hereunder shall not be in any manner affected, diminished or impaired thereby, or by any lack of diligence, failure, neglect or omission on the part of the Bank to make any demand or protest, or give any notice of dishonor or default, or to realize upon or protect any of said indebtedness, or any collateral or security therefor, or to exercise any lien upon or right of appropriation or set-off of any monies, accounts, credits, or property of the Borrower, possessed by the Bank, towards the liquidation of said indebtedness, or by any application of payments or credits thereon. The Bank shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on said indebtedness, or any part thereof, and shall be under no obligation, at any time, to first resort to, make demand on, file a claim against, or exhaust its remedies against the Borrower, any one or more of the undersigned, or other persons or corporations, their properties or estates, or to resort to or exhaust its remedies against any collateral, security, property, liens or other rights whatsoever. It is expressly agreed that the Bank may at any time make demand for payment on, or bring suit against, the undersigned guarantors, jointly or severally, or any one or more of the undersigned, less than all, and may compound with any one or more of the undersigned for such sums or on such terms as it may see fit, without notice or consent, the same being hereby expressly waived, and release such of the undersigned from all further liability to the Bank hereunder, without thereby impairing the rights of the Bank in any respect to demand, sue for and collect the balance of the indebtedness from any of the undersigned guarantors not so released; and that any claims against the Borrower accruing to the undersigned by reason of payments made hereunder shall be subordinate to any indebtedness then or subsequently owed by the Borrower to the Bank. In addition, the liability of the undersigned guarantors shall not be affected by any lack of validity or enforceability of the guaranteed debt. As security for the undertakings and obligations of the undersigned hereunder, the undersigned and each of them expressly grant and give to the Bank a right of immediate set-off without demand or notice, of the balance of every deposit account, now or at any time hereafter existing, of the undersigned with the Bank, and a general lien upon, and security interest in, all money, negotiable instruments, commercial paper, notes, bonds, stocks, credits and/or choses in action, or any interest therein, and any other property, rights, and interests of the undersigned or any evidence thereof, which have or any time shall come into the possession, custody, or control of the Bank, and, in the event of default hereunder, the Bank may sell or cause to be sold at public or private sale in any manner which may be lawful, for cash or credit and upon such terms as the Bank may see fit, and (except as may be otherwise expressly provided by the Uniform Commercial Code, or other applicable law) without demand or notice to the undersigned, all or any of such security, and the Bank (unless prohibited by the Uniform Commercial Code from so doing) or any other person may purchase such property, rights or interests so sold and thereafter hold the same free of any claim or right of whatsoever kind, including any right or equity of redemption, of the undersigned, such demand, notice, right or equity of redemption being hereby expressly waived and released.

In the event of the death, incompetency, dissolution, liquidation, insolvency (however evidenced) of, or institution of bankruptcy or receivership proceedings by or against the Borrower, all of the indebtedness of the Borrower then existing shall, for the purposes of this guaranty, and at the option of the Bank, immediately become due and payable from the undersigned; and, in such event, any and all sums or payments of any nature which may be or become due and payable by the Borrower to any of the undersigned are hereby assigned to the Bank, and shall be collectible by the Bank, without necessity for other authority than this instrument, until all such indebtedness of the Borrower to the Bank shall be fully paid and discharged, but such collection by the Bank shall not in any respect affect, impair or diminish any other rights of the Bank hereunder.

The granting of credit from time to time by the Bank to the Borrower, in excess of the amount to which right of recovery under this guaranty is limited and without notice to the undersigned, is hereby expressly authorized and shall in no way affect or impair this guaranty; and, in event that the indebtedness of the Borrower to the Bank shall so exceed the amount to which the guaranty is limited, any payments by the Borrower to the Bank, or any collections or recovery by the Bank from any sources other than this guaranty may first be applied by the Bank to any portion of the indebtedness which exceeds the limits of this guaranty.

The Bank may, without any notice whatsoever to anyone, sell, assign or transfer all or any part of said indebtedness, and in that event each and every immediate and successive assignee, transferee or holder of all or any part of said indebtedness shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as though such assignee, transferee or holder were herein by name given such rights, powers and benefits; but the Bank shall have an unimpaired right, prior and superior to that of any said assignee, transferee or holder, to enforce this guaranty for the benefit of the Bank, as to so much of said indebtedness that it has not sold, assigned or transferred.

No act of commission or omission of any kind, or at any time, on the part of the Bank in respect of any matter whatsoever shall in any way affect or impair this guaranty. This guaranty is in addition to and not in substitution for or discharge of any other guaranty held by the Bank. The undersigned jointly and severally waive any right of action they might have against the Bank because of the exercise by the Bank in any manner whatsoever of any rights granted to the Bank herein.

This guaranty contains the entire agreement between the parties and every part thereof shall be binding upon the undersigned, jointly and severally, and upon their respective heirs, legal representatives, successors and assigns, as fully as though everywhere specifically mentioned, and shall be construed according to the laws of the State of Tennessee, in which State it shall be performed by the undersigned.

Each of the parties hereby waives trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matter whatsoever arising out of or in any way connected with this agreement or under any amendment, instrument, document or agreement delivered (or which may be delivered in the future) in connection herewith or arising from any banking relationship between the parties to this agreement.

WITNESS Our respective signatures, and the acceptance hereof by the Bank, this 30th day of May, 1997

(Witness)

(Witness)

LAUREN M. TERRY

SEE REVERSE SIDE FOR IMPORTANT INFORMATION:

1. Notary Acknowledgement 2. Notice to Co-signer



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LYNWOOD UTILITY CORPORATION

(hereinafter

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The granting of credit from time to time by the Bank to the Borrower, in excess of the amount to which right of recovery under this guaranty is limited and without notice to the undersigned, is hereby expressly authorized and shall in no way affect or impair this guaranty; and, in event that the indebtedness of the Borrower to the Bank shall so exceed the amount to which the guaranty is limited, any payments by the Borrower to the Bank, or any collections or recovery by the Bank from any sources other than this guaranty may first be applied by the Bank to any portion of the indebtedness which exceeds the limits of this guaranty.

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WITNESS Our respective signatures, and the acceptance hereof by the Bank, this 30th day of May, 1997

(Witness)

(Witness)

LEGENDS RIDGE, LLC, a Tennessee
Limited Liability Company

BY: David A. Terry
DAVID A. TERRY, CHIEF MANAGER

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The granting of credit from time to time by the Bank to the Borrower, in excess of the amount to which right of recovery under this guaranty is limited and without notice to the undersigned, is hereby expressly authorized and shall in no way affect or impair this guaranty; and, in event that the indebtedness of the Borrower to the Bank shall so exceed the amount to which the guaranty is limited, any payments by the Borrower to the Bank, or any collections or recovery by the Bank from any sources other than this guaranty may first be applied by the Bank to any portion of the indebtedness which exceeds the limits of this guaranty.

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WITNESS Our respective signatures, and the acceptance hereof by the Bank, this 30th day of May, 1997

(Witness)

DAVID A. TERRY

(Witness)

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For Value Received, And in consideration of credit given or to be given, advances made or to be made, or other financial accommodation from time to time afforded or to be afforded to

LYNWOOD UTILITY CORPORATION

called the "Borrower" and/or his, her, their or its successors or assigns, by First Tennessee Bank National Association, or its successors, endorsees, transferees and assigns (all of which are hereinafter called the "Bank"), the undersigned hereby jointly and severally, for themselves, their heirs, executors, administrators and successors, guarantee the full and prompt payment to the Bank, at maturity and at all times thereafter, of any and all indebtedness, obligations and liabilities of every kind and nature (all of which are hereinafter collectively referred to as "indebtedness"), however created, arising or evidenced, of the Borrower to the Bank (including all liabilities of any partnership created or arising while the Borrower may have been or may be a member thereof), whether now existing or hereafter created or arising, whether direct or indirect, absolute or contingent, joint or several, and howsoever owned, held or acquired, whether through discount, overdraft, purchase, direct loan or as collateral, or otherwise; together with all expenses, legal and/or otherwise (including court costs and attorney's fees) incurred by the Bank in collecting or endeavoring to collect such indebtedness or any part thereof, in protecting any collateral, and in enforcing this guaranty. The right of recovery, however, against each of the undersigned is limited to

THREE HUNDRED FIVE THOUSAND AND NO/100----- Dollars (\$ 305,000.00)

plus interest on all loans and/or advances hereunder and all expenses hereinbefore mentioned.

THIS GUARANTY SHALL BE A CONTINUING, ABSOLUTE, AND UNCONDITIONAL GUARANTY and shall apply to and cover all loans, discounts or renewals thereof, made by the Bank to the Borrower at any time, and any and all indebtedness, of any nature and howsoever arising or created or evidenced, now owing or hereafter created to the Bank by the Borrower, and shall remain in full force and effect until written notice of its discontinuance, addressed to the President of the Bank, shall be actually received by the Bank (the burden of proof of receipt by the Bank of such notice being in all cases upon the undersigned), and also until any and all said indebtedness, or any extensions or renewals thereof, existing before receipt of such notice, and expenses in connection therewith, shall be fully paid. Regardless of when a renewal or extension of pre-termination debt occurs (with or without adjustment of interest rate or other terms), the debt is deemed to have been incurred prior to termination to the extent of the renewal or extension, and to be fully covered by this guaranty. The death, dissolution or withdrawal of any one or more of the undersigned shall not terminate this guaranty until notice of any such death, dissolution or withdrawal, given as above provided, shall have actually been received by the Bank, and until all of said indebtedness, or any extensions or renewals thereof, existing before receipt of such notice shall be fully paid. And in the event of any such death, dissolution or withdrawal and notice thereof to the Bank, this guaranty shall, notwithstanding, continue and remain in force against the survivor or survivors, or the remainder, of the undersigned until discontinued as hereinabove provided.

The Bank is hereby authorized to make from time to time, without notice to anyone, any renewals or extensions, (whether such renewals or extensions be in whole or in part and without limit as to the number of such extensions or of the renewal periods thereof, and without notice to or further assent from the undersigned), sales, pledges, surrenders, compromises, settlements, releases, indulgences, alterations, substitutions, exchanges, changes in, modifications, or other dispositions including, without limitation, cancellations, of all or any part of the collateral pledged to secure the indebtedness and all or any part of said indebtedness, either express or implied, or of any contracts or instruments evidencing any thereof, or of any security or collateral thereof, and/or take any security for or other guaranties upon any of said indebtedness, and the liability of the undersigned hereunder shall not be in any manner affected, diminished or impaired thereby, or by any lack of diligence, failure, neglect or omission on the part of the Bank to make any demand or protest, or give any notice of dishonor or default, or to realize upon or protect any of said indebtedness, or any collateral or security thereof, or to exercise any lien upon or right of appropriation or set-off of any monies, accounts, credits, or property of the Borrower, possessed by the Bank, towards the liquidation of said indebtedness, or by any application of payments or credits thereon. The Bank shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on said indebtedness, or any part thereof, and shall be under no obligation, at any time, to first resort to, make demand on, file a claim against, or exhaust its remedies against the Borrower, any one or more of the undersigned, or other persons or corporations, their properties or estates, or to resort to or exhaust its remedies against any collateral, security, property, liens or other rights whatsoever. It is expressly agreed that the Bank may at any time make demand for payment on, or bring suit against, the undersigned guarantors, jointly or severally, or any one or more of the undersigned, less than all, and may compound with any one or more of the undersigned for such sums or on such terms as it may see fit, without notice or consent, the same being hereby expressly waived, and release such of the undersigned from all further liability to the Bank hereunder, without thereby impairing the rights of the Bank in any respect to demand, sue for and collect the balance of the indebtedness from any of the undersigned guarantors not so released; and that any claims against the Borrower accruing to the undersigned by reason of payments made hereunder shall be subordinate to any indebtedness then or subsequently owed by the Borrower to the Bank. In addition, the liability of the undersigned guarantors shall not be affected by any lack of validity or enforceability of the guaranteed debt. As security for the undertakings and obligations of the undersigned hereunder, the undersigned and each of them expressly grant and give to the Bank a right of immediate set-off without demand or notice, of the balance of every deposit account, now or at any time hereafter existing, of the undersigned with the Bank, and a general lien upon, and security interest in, all money, negotiable instruments, commercial paper, notes, bonds, stocks, credits and/or choses in action, or any interest therein, and any other property, rights, and interests of the undersigned or any evidence thereof, which have or any time shall come into the possession, custody, or control of the Bank, and, in the event of default hereunder, the Bank may sell or cause to be sold at public or private sale in any manner which may be lawful, for cash or credit and upon such terms as the Bank may see fit, and (except as may be otherwise expressly provided by the Uniform Commercial Code, or other applicable law) without demand or notice to the undersigned, all or any of such security, and the Bank (unless prohibited by the Uniform Commercial Code from so doing) or any other person may purchase such property, rights or interests so sold and thereafter hold the same free of any claim or right of whatsoever kind, including any right or equity of redemption, of the undersigned, such demand, notice, right or equity of redemption being hereby expressly waived and released.

In the event of the death, incompetency, dissolution, liquidation, insolvency (however evidenced) of, or institution of bankruptcy or receivership proceedings by or against the Borrower, all of the indebtedness of the Borrower then existing shall, for the purposes of this guaranty, and at the option of the Bank, immediately become due and payable from the undersigned; and, in such event, any and all sums or payments of any nature which may be or become due and payable by the Borrower to any of the undersigned are hereby assigned to the Bank, and shall be collectible by the Bank, without necessity for other authority than this instrument, until all such indebtedness of the Borrower to the Bank shall be fully paid and discharged, but such collection by the Bank shall not in any respect affect, impair or diminish any other rights of the Bank hereunder.

The granting of credit from time to time by the Bank to the Borrower, in excess of the amount to which right of recovery under this guaranty is limited and without notice to the undersigned, is hereby expressly authorized and shall in no way affect or impair this guaranty; and, in event that the indebtedness of the Borrower to the Bank shall so exceed the amount to which the guaranty is limited, any payments by the Borrower to the Bank, or any collections or recovery by the Bank from any sources other than this guaranty may first be applied by the Bank to any portion of the indebtedness which exceeds the limits of this guaranty.

The Bank may, without any notice whatsoever to anyone, sell, assign or transfer all or any part of said indebtedness, and in that event each and every immediate and successive assignee, transferee or holder of all or any part of said indebtedness shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as though such assignee, transferee or holder were herein by name given such rights, powers and benefits; but the Bank shall have an unimpaired right, prior and superior to that of any said assignee, transferee or holder, to enforce this guaranty for the benefit of the Bank, as to so much of said indebtedness that it has not sold, assigned or transferred.

No act of commission or omission of any kind, or at any time, on the part of the Bank in respect of any matter whatsoever shall in any way affect or impair this guaranty. This guaranty is in addition to and not in substitution for or discharge of any other guaranty held by the Bank. The undersigned jointly and severally waive any right of action they might have against the Bank because of the exercise by the Bank in any manner howsoever of any rights granted to the Bank herein.

This guaranty contains the entire agreement between the parties and every part thereof shall be binding upon the undersigned, jointly and severally, and upon their respective heirs, legal representatives, successors and assigns, as fully as though everywhere specifically mentioned, and shall be construed according to the laws of the State of Tennessee, in which State it shall be performed by the undersigned.

Each of the parties hereby waives trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matter whatsoever arising out of or in any way connected with this agreement or under any amendment, instrument, document or agreement delivered (or which may be delivered in the future) in connection herewith or arising from any banking relationship between the parties to this agreement.

WITNESS Our respective signatures, and the acceptance hereof by the Bank, this 30th day of May, 1997

(Witness)

LAUREN M. TERRY

(Witness)

SEE REVERSE SIDE FOR IMPORTANT INFORMATION:
1. Notary Acknowledgement 2. Notice to Cosigner



GUARANTY AGREEMENT

For Value Received. And in consideration of credit given or to be given, advances made or to be made, or other financial accommodation from time to time afforded or to be afforded to

LYNWOOD UTILITY CORPORATION

(hereinafter called the "Borrower") and/or his, her, their or its successors or assigns, by First Tennessee Bank National Association, or its successors, endorsees, transferees and assigns (all of which are hereinafter called the "Bank"), the undersigned hereby jointly and severally, for themselves, their heirs, executors, administrators and successors, guarantee the full and prompt payment to the Bank, at maturity and at all times thereafter, of any and all indebtedness, obligations and liabilities of every kind and nature (all of which are hereinafter collectively referred to as "indebtedness"), however created, arising or evidenced, of the Borrower to the Bank (including all liabilities of any partnership created or arising while the Borrower may have been or may be a member thereof, whether now existing or hereafter created or arising, whether direct or indirect, absolute or contingent, joint or several, and howsoever owned, held or acquired, whether through discount, overdraft, purchase, direct loan or as collateral, or otherwise; together with all expenses, legal and/or otherwise (including court costs and attorney's fees) incurred by the Bank in collecting or endeavoring to collect such indebtedness or any part thereof, in protecting any collateral, and in enforcing this guaranty. The right of recovery, however, against each of the undersigned is limited to

THREE HUNDRED FIVE THOUSAND AND NO/100----- Dollars (\$ 305,000.00)

plus interest on all loans and/or advances hereunder and all expenses hereinbefore mentioned.

THIS GUARANTY SHALL BE A CONTINUING, ABSOLUTE, AND UNCONDITIONAL GUARANTY and shall apply to and cover all loans, discounts or renewals thereof, made by the Bank to the Borrower at any time, and any and all indebtedness, of any nature and howsoever arising or created or evidenced, now owing or hereafter created to the Bank by the Borrower, and shall remain in full force and effect until written notice of its discontinuance, addressed to the President of the Bank, shall be actually received by the Bank (the burden of proof of receipt by the Bank of such notice being in all cases upon the undersigned), and also until any and all said indebtedness, or any extensions or renewals thereof, existing before receipt of such notice, and expenses in connection therewith, shall be fully paid. Regardless of when a renewal or extension of pre-termination debt occurs (with or without adjustment of interest rate or other terms), the debt is deemed to have been incurred prior to termination to the extent of the renewal or extension, and to be fully covered by this guaranty. The death, dissolution or withdrawal of any one or more of the undersigned shall not terminate this guaranty until notice of any such death, dissolution or withdrawal, given as above provided, shall have actually been received by the Bank, and until all of said indebtedness, or any extensions or renewals thereof, existing before receipt of such notice shall be fully paid. And in the event of any such death, dissolution or withdrawal and notice thereof to the Bank, this guaranty shall, notwithstanding, continue and remain in force against the survivor or survivors, or the remainder, of the undersigned until discontinued as hereinabove provided.

The Bank is hereby authorized to make from time to time, without notice to anyone, any renewals or extensions, (whether such renewals or extensions be in whole or in part and without limit as to the number of such extensions or of the renewal periods thereof, and without notice to or further assent from the undersigned), sales, pledges, surrenders, compromises, settlements, releases, indulgences, alterations, substitutions, exchanges, changes in, modifications, or other dispositions including, without limitation, cancellations, of all or any part of the collateral pledged to secure the indebtedness and all or any part of said indebtedness, either express or implied, or of any contracts or instruments evidencing any thereof, or of any security or collateral therefor, and/or take any security for or other guarantee upon any of said indebtedness, and the liability of the undersigned hereunder shall not be in any manner affected, diminished or impaired thereby, or by any lack of diligence, failure, neglect or omission on the part of the Bank to make any demand or protest, or give any notice of dishonor or default, or to realize upon or protect any of said indebtedness, or any collateral or security therefor, or to exercise any lien upon or right of appropriation or set-off of any monies, accounts, credits, or property of the Borrower, possessed by the Bank, towards the liquidation of said indebtedness, or by any application of payments or credits thereon. The Bank shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on said indebtedness, or any part thereof, and shall be under no obligation, at any time, to first resort to, make demand on, file a claim against, or exhaust its remedies against the Borrower, any one or more of the undersigned, or other persons or corporations, their properties or estates, or to resort to or exhaust its remedies against any collateral, security, property, liens or other rights whatsoever. It is expressly agreed that the Bank may at any time make demand for payment on, or bring suit against, the undersigned guarantors, jointly or severally, or any one or more of the undersigned, less than all, and may compound with any one or more of the undersigned for such sums or on such terms as it may see fit, without notice or consent, the same being hereby expressly waived, and release such of the undersigned from all further liability to the Bank hereunder, without thereby impairing the rights of the Bank in any respect to demand, sue for and collect the balance of the indebtedness from any of the undersigned guarantors not so released; and that any claims against the Borrower accruing to the undersigned by reason of payments made hereunder shall be subordinate to any indebtedness then or subsequently owed by the Borrower to the Bank. In addition, the liability of the undersigned guarantors shall not be affected by any lack of validity or enforceability of the guaranteed debt. As security for the undertakings and obligations of the undersigned hereunder, the undersigned and each of them expressly grant and give to the Bank a right of immediate set-off without demand or notice, of the balance of every deposit account, now or at any time hereafter existing, of the undersigned with the Bank, and a general lien upon, and security interest in, all money, negotiable instruments, commercial paper, notes, bonds, stocks, credits and/or choses in action, or any interest therein, and any other property, rights, and interests of the undersigned or any evidence thereof, which have or any time shall come into the possession, custody, or control of the Bank, and, in the event of default hereunder, the Bank may sell or cause to be sold at public or private sale in any manner which may be lawful, for cash or credit and upon such terms as the Bank may see fit, and (except as may be otherwise expressly provided by the Uniform Commercial Code, or other applicable law) without demand or notice to the undersigned, all or any of such security, and the Bank (unless prohibited by the Uniform Commercial Code from so doing) or any other person may purchase such property, rights or interests so sold and thereafter hold the same free of any claim or right of whatsoever kind, including any right or equity of redemption, of the undersigned, such demand, notice, right or equity of redemption being hereby expressly waived and released.

In the event of the death, incompetency, dissolution, liquidation, insolvency (however evidenced) of, or institution of bankruptcy or receivership proceedings by or against the Borrower, all of the indebtedness of the Borrower then existing shall, for the purposes of this guaranty, and at the option of the Bank, immediately become due and payable from the undersigned; and, in such event, any and all sums or payments of any nature which may be or become due and payable by the Borrower to any of the undersigned are hereby assigned to the Bank, and shall be collectible by the Bank, without necessity for other authority than this instrument, until all such indebtedness of the Borrower to the Bank shall be fully paid and discharged, but such collection by the Bank shall not in any respect affect, impair or diminish any other rights of the Bank hereunder.

The granting of credit from time to time by the Bank to the Borrower, in excess of the amount to which right of recovery under this guaranty is limited and without notice to the undersigned, is hereby expressly authorized and shall in no way affect or impair this guaranty; and, in event that the indebtedness of the Borrower to the Bank shall so exceed the amount to which the guaranty is limited, any payments by the Borrower to the Bank, or any collections or recovery by the Bank from any sources other than this guaranty may first be applied by the Bank to any portion of the indebtedness which exceeds the limits of this guaranty.

The Bank may, without any notice whatsoever to anyone, sell, assign or transfer all or any part of said indebtedness, and in that event each and every immediate and successive assignee, transferee or holder of all or any part of said indebtedness shall have the right to enforce this guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as though such assignee, transferee or holder were herein by name given such rights, powers and benefits; but the Bank shall have an unimpaired right, prior and superior to that of any said assignee, transferee or holder, to enforce this guaranty for the benefit of the Bank, as to so much of said indebtedness that it has not sold, assigned or transferred.

No act of commission or omission of any kind, or at any time, on the part of the Bank in respect of any matter whatsoever shall in any way affect or impair this guaranty. This guaranty is in addition to and not in substitution for or discharge of any other guaranty held by the Bank. The undersigned jointly and severally waive any right of action they might have against the Bank because of the exercise by the Bank in any manner howsoever of any rights granted to the Bank herein.

This guaranty contains the entire agreement between the parties and every part thereof shall be binding upon the undersigned, jointly and severally, and upon their respective heirs, legal representatives, successors and assigns, as fully as though everywhere specifically mentioned, and shall be construed according to the laws of the State of Tennessee, in which State it shall be performed by the undersigned.

Each of the parties hereby waives trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matter whatsoever arising out of or in any way connected with this agreement or under any amendment, instrument, document or agreement delivered (or which may be delivered in the future) in connection herewith or arising from any banking relationship between the parties to this agreement.

WITNESS Our respective signatures, and the acceptance hereof by the Bank, this 30th day of May, 19 97

(Witness)

(Witness)

LEGENDS RIDGE, LLC, a Tennessee
Limited Liability Company

BY: David A. Terry
DAVID A. TERRY, CHIEF MANAGER

SEE REVERSE SIDE FOR IMPORTANT INFORMATION:
1. Notary Acknowledgment 2. Notice to Cosigner

This instrument Was Prepared by:
Jeffrey R. King
Farris, Warfield & Kanaday, PLC
Suite 1800
SunTrust Center
Nashville, Tennessee 37219
(615) 244-5200

Collective Ex. 2

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT is entered into by and between FIRST TENNESSEE BANK NATIONAL ASSOCIATION ("First Tennessee") and LUMBERMEN'S INVESTMENT CORPORATION ("Lumbermen's").

WITNESSETH:

WHEREAS:

1. First Tennessee extended credit to Lynwood Utility Corporation ("Borrower") as evidenced by a Loan and Security Agreement executed by and between First Tennessee and Borrower dated May 30, 1997 (the "Loan Agreement").
2. Pursuant to the terms of the Loan Agreement, First Tennessee issued a Promissory Note in the original principal amount of \$305,000.00 which was executed by Borrower on May 30, 1997 (the "Note").
3. The Note is secured by a Security Agreement executed by Borrower and Lender dated May 30, 1997 (the "Security Agreement").
4. The lien created by the Security Agreement in favor of First Tennessee has been perfected by the filing of UCC-1 Financing Statements bearing numbers 972-04297 and 971-513072, both of which are filed with the Secretary of State of Tennessee (the "Financing Statements").
5. The Note is further secured by a Pledge and Security Agreement executed by David A. Terry, Legends Ridge, LLC and Lender, dated May 30, 1997, as amended by First Amendment to Pledge and Security Agreement executed by the same parties on December 17, 1998, (the "Pledge Agreement"). The Pledge Agreement, as amended, provided Lender with a security interest in 100 shares of the capital stock of Lynwood Utility Corporation (the "Stock") which was perfected by delivery to Lender of the Stock along with an irrevocable stock power executed by Terry in favor of Lender (the "Stock Power").

6. Payment of all of the obligations of Borrower under the Loan Agreement are guaranteed by David A. Terry and Lauren M. Terry pursuant to guaranty agreements executed by each of them in favor of First Tennessee on May 30, 1997 (the "Guaranties").

7. The Note is further secured by a Tennessee Deed of Trust dated May 30, 1997, executed by Legends Ridge, LLC in favor of First Tennessee, which is recorded in Book 1526, page 854, Register's Office for Williamson County, Tennessee (the "Deed of Trust").

8. All of the documents referenced in paragraphs one (1) through six (6) above are referred to hereinafter collectively as the "Loan Documents".

9. First Tennessee has agreed to sell and assign to Lumbermen's, and Lumbermen's has agreed to purchase from First Tennessee, the Loan Documents, subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. First Tennessee hereby assigns, transfers and conveys to Lumbermen's all of its right, title and interest in and to the Loan Documents. It is understood and agreed that this assignment does not include the Deed of Trust.

2. First Tennessee will cause the Note to be properly endorsed, without recourse, to the order of Lumbermen's, its successors and assigns.

3. First Tennessee represents, warrants and covenants to Lumbermen's as follows:

(a) First Tennessee is the true and lawful holder and owner of the Loan Documents and has the full power, right and authority to sell, transfer, and assign the Loan Documents to Lumbermen's without the joinder or consent of any other party.

(b) First Tennessee has not pledged or assigned the Loan Documents to any other party, and to the best of its knowledge, no other liens or encumbrances exist with respect to the collateral described therein.

(c) To the best of its knowledge, First Tennessee has not waived, released, discharged, modified or cancelled any or all of the Loan Documents or the liability of any party liable thereunder.

- (d) To the best of its knowledge, no counterclaim, defense or right to setoff exists in connection with any of the Loan Documents.
- (e) The only outstanding obligations secured by the Loan Documents are those specifically described therein, and the operation of any "dragnet clause" or other provision of the Loan Documents which provides that the collateral described therein shall be security for any other obligations of any party liable thereunder to Lender are hereby terminated by First Tennessee.

4. First Tennessee agrees to provide Lumbermen's with all the originals of the Loan Documents and all amendments thereto, all payment records, insurance certificates, title insurance and such other documents pertaining to the Loan Documents as Lumbermen's may reasonably request to fully effectuate the terms of this Assignment.

5. The amount of indebtedness currently evidenced by the Loan Documents is as follows:

- (a) Principal: \$ _____
- (b) Interest: \$ _____
- (c) Per Diem: \$ _____
- (d) Late Charges: \$ _____
- (e) Other Charges: \$ _____

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated hereinafter.

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

LUMBERMEN'S INVESTMENT
CORPORATION

By: _____

By: John K. Pruitt

Title: _____

Title: Ex. VP

Date: _____

Date: 12/17/98

- (d) To the best of its knowledge, no counterclaim, defense or right to setoff exists in connection with any of the Loan Documents.
- (e) The only outstanding obligations secured by the Loan Documents are those specifically described therein, and the operation of any "dragnet clause" or other provision of the Loan Documents which provides that the collateral described therein shall be security for any other obligations of any party liable thereunder to Lender are hereby terminated by First Tennessee.

4. First Tennessee agrees to provide Lumbermen's with all the originals of the Loan Documents and all amendments thereto, all payment records, insurance certificates, title insurance and such other documents pertaining to the Loan Documents as Lumbermen's may reasonably request to fully effectuate the terms of this Assignment.

5. The amount of indebtedness currently evidenced by the Loan Documents is as follows:

(a) Principal:	<u>\$305,000.00</u>
(b) Interest:	<u>\$7,253.64</u>
(c) Per Diem:	<u>\$ 73.12</u>
(d) Late Charges:	<u>\$ _____</u>
(e) Other Charges:	<u>\$ _____</u>

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated hereinafter.

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

LUMBERMEN'S INVESTMENT
CORPORATION

By: [Signature]

By: _____

Title: SR. VICE PRES.

Title: _____

Date: 12/17/98

Date: _____

FIRST AMENDMENT TO PLEDGE AND SECURITY AGREEMENT

THIS FIRST AMENDMENT is entered into by and among DAVID A. TERRY ("Pledgor"), LEGENDS RIDGE, LLC ("Borrower") and FIRST TENNESSEE BANK NATIONAL ASSOCIATION ("Lender").

WITNESSETH:

WHEREAS:

1. Pledgor, Borrower and Lender executed a Pledge and Security Agreement on May 30, 1997 (the "Pledge Agreement"), in connection with an extension of credit from Lender to Borrower in the principal amount of up to \$3,808,000.00 (the "Loan").
2. Pursuant to the terms of the Pledge Agreement, Pledgor, a guarantor of the Loan, pledged its interest in 100 shares of capital stock (the "Stock") of Lynwood Utility Corporation ("Lynwood").
3. Additionally, pursuant to the Pledge Agreement, Pledgor executed an irrevocable stock power in favor of Lender and delivered Certificate No. 1 representing the said 100 shares of Lynwood to the Lender.
4. Pursuant to the terms of the Pledge Agreement, the Stock not only secured the Loan, but secured the payment of any and all other indebtedness and obligations of Borrower to Lender, including, but not limited to, its guaranty of that certain promissory note executed by Lynwood in favor of Lender on May 30, 1997, in the principal amount of \$305,000.00 (the "Lynwood Note").
5. At the request of Pledgor and Borrower, Lender has agreed to modify the terms of the Pledge Agreement to provide that the Stock shall hereinafter secure only the Lynwood Note and the obligations evidenced by the other documents executed in connection therewith.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledge Agreement is amended as follows:

1. The Pledge Agreement and the Stock shall hereinafter secure all obligations evidenced by the following:
 - (a) the Lynwood Note;
 - (b) the Loan and Security Agreement executed in connection with the Lynwood Note by and among Lynwood, Terry, Lauren M. Terry, Borrower and Lender dated May 30, 1997;

- (c) Security Agreement by and between Lender and Lynwood dated May 30, 1997, executed in connection with the Lynwood Note..

The obligations referenced hereinabove shall be referred to hereinafter collectively as the "Obligations".

2. Except for the Obligations described above, the Pledge Agreement and the Stock shall not secure any other obligations of Borrower or Pledgor to Lender.
3. Borrower and Pledgor covenant that no event has occurred and no claim, offset or other condition exists which would relieve either of them of any of their obligations to the Lender, except as provided herein.
4. The undersigned Borrower represents that the terms of this Amendment have been authorized by a duly adopted resolution of the Board of Directors of Borrower.
5. Except as amended hereby, the terms and conditions of the Pledge Agreement shall remain in full force and effect.

WITNESS the signatures of the undersigned on this 17 day of December, 1998.

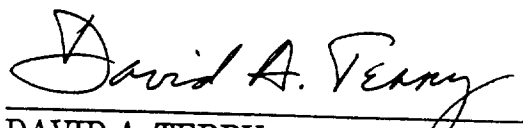
LENDER:

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

By: 

Title: SR. VICE PRES.

PLEDGOR:


DAVID A. TERRY

BORROWER:

LEGENDS RIDGE, LLC

By: 

Title: CHIEF MANAGER

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT is entered into by and among LYNWOOD UTILITY CORPORATION ("Borrower"), DAVID A. TERRY, and LEGENDS RIDGE, LLC (collectively, the "Guarantors") and LUMBERMEN'S INVESTMENT CORPORATION, a Delaware corporation ("Lumbermen's").

WITNESSETH:

WHEREAS:

1. Borrower, Guarantors and Lauren M. Terry executed a Loan and Security Agreement (the "Agreement") in favor of First Tennessee Bank National Association ("First Tennessee") on May 30, 1997, relative to a loan from First Tennessee to Borrower in the principal amount of \$305,000.00 (the "Loan").
2. On December 17, 1998, the Loan was purchased by and assigned to Lumbermen's.
3. The parties hereto have agreed to amend the terms of the Agreement as provided hereinafter.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Article II, paragraph 2.01(a) is hereby amended to provide that all of the outstanding common stock of Lynwood Utility Corporation ("Lynwood") as well as all access fees payable to Lynwood shall also secure the Secured Obligations.
2. Article II, paragraph 2.02 is hereby amended by the addition of new subparagraphs (f) and (g) which shall read as follows:

(f) All funds advanced by Lumbermen's to purchase the Loan.

(g) All funds advanced by Lumbermen's to maintain, operate and upgrade the Lynwood waste water treatment plant (the "Plant"), including, but not limited to, all funds advanced by Lumbermen's pursuant to the terms of that certain Utilities Agreement executed by and between Lumbermen's and Borrower with an effective date of June 28, 1998, and all amendments thereto, and all expenses incurred in connection with obtaining and maintaining all required permits and licenses for the operation thereof.

3. Article IV, paragraph 4.17 is deleted in its entirety and replaced with the following:

Access and/or Tap Fees. All access and/or tap fees payable to Lynwood for the right to connect to the Plant shall be paid directly to Lumbermen's and applied towards the payment of the Secured Obligations.

4. Section 5.01 is hereby amended by the addition of new subparagraph (j) which shall read as follows:

(j) The occurrence of a default under the terms of any contract between Lumbermen's and/or Lynwood, Legends Ridge, LLC, Legends Properties, Inc., Terry Properties, LLC or David A. Terry.

5. Section 6.08 is amended by deleting the portion of said paragraph containing the address of First Tennessee and inserting in its place the following addresses for purposes of notices to Lender hereunder:

Lumbermen's Investment Corporation
Temple Inland Building, 15th Floor
301 Congress
Austin, TX 78701
Attn: Craig Knight

Smith Crowe Property Company
5550 Franklin Road, Suite 201
Nashville, TN 37220
Attn: G. Nelson Crowe

Farris, Warfield & Kanaday, PLC
424 Church Street, Suite 1800
Nashville, TN 37219
Attn: Jeffrey R. King

6. Lumbermen's hereby releases Lauren M. Terry as a guarantor of the Loan.
7. Borrower and Guarantor acknowledge that the Loan is currently in default, and further, that the actions of Lumbermen's in purchasing the Loan and amending certain of the documents executed in connection therewith, shall not constitute a waiver of any default or of the right to exercise any available remedy as a result of such default.
8. Lynwood and David A. Terry hereby reaffirm all representations, warranties, covenants, and agreements contained in the Agreement. Additionally, Lynwood and David A. Terry covenant that no event has occurred and no claim, offset or other condition exists which would relieve either of them of their obligations to Lumbermen's under the terms of this Agreement, or any other document executed in connection therewith.
9. The Guarantors join in the execution of this Amendment for the purpose of consenting to its terms, to acknowledge their agreement that the terms of their Guaranties shall remain in full force and effect and to state that no event has occurred and no claim, offset or other condition exists which would relieve them of their obligations to the Lender under the Guaranties.

FIRST AMENDMENT TO SECURITY AGREEMENT

THIS FIRST AMENDMENT is entered into by and between LUMBERMEN'S INVESTMENT CORPORATION ("Secured Party") and LYNWOOD UTILITY CORPORATION ("Borrower").

WITNESSETH:

WHEREAS:

1. Borrower and First Tennessee Bank National Association ("First Tennessee") entered into a security agreement dated May 30, 1997, providing collateral for a promissory note extended by First Tennessee to Borrower in the original principal amount of \$305,000.00. (the "Loan").

2. The Loan was purchased by and assigned to Lumbermen's as of December 17, 1998.

3. Lumbermen's, as Secured Party, and Borrower wish to amend the terms of the Agreement as provided hereinafter.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Section 1 of the Agreement is deleted in its entirety and replaced with the following:

Security Interest; Obligation Secured. Borrower hereby grants to Secured Party a security interest in, and grants, bargains, sells, conveys, assigns and transfers, subject to the terms hereof, the property rights described in Section 2 (the "Collateral") to secure payment or other performance of the following obligations:

(a) Promissory Note dated May 30, 1997, executed by Borrower in favor of Lender in the principal amount of \$305,000.00, and any future, direct or indirect indebtedness or obligation of Borrower to Lumbermen's.

(b) All funds advanced by Lumbermen's to maintain, operate and upgrade the Lynwood waste water treatment plant (the "Plant"), including, but not limited to, all funds advanced by Lumbermen's pursuant to the terms of that certain Utilities Agreement executed by and between Lumbermen's and Borrower with an effective date of June 28, 1998, and all amendments thereto, and all expenses incurred in connection with obtaining and maintaining all required permits and licenses for the operation thereof.

2. Section 2 (a) is hereby amended by adding to the items of Collateral described therein all access fees payable to Borrower for the right to connect to the Plant.

3. The Agreement is hereby amended by the addition of new section 9 which shall read as follows:

9. Access and/or Tap Fees. Notwithstanding anything to the contrary contained herein, Borrower directly assigns to Lumbermen's all access, tap fees and any other fees or consideration payable to Borrower for the right and privilege to connect to its waste water treatment system. It is agreed that all such fees shall be applied by Lumbermen's towards the payment of the obligations secured by this Agreement.

Except as amended hereby, the terms and conditions of the Security Agreement shall remain in full force and effect.

WITNESS the signatures of the undersigned on the dates indicated
hereinafter.

SECURED PARTY;

LUMBERMEN'S INVESTMENT CORPORATION

By: John K. Smith

Title: Ex. VP

Date: 12/17/98

BORROWER:

LYNWOOD UTILITY CORPORATION

By: David A. Teany

Title: PRESIDENT

Date: 12/16/98

This Instrument Was Prepared By:
Jeffrey R. King
Farris, Warfield & Kanaday, PLC
Suite 1800
SunTrust Center
Nashville, Tennessee 37219

The maximum principal
indebtedness for Tennessee
recording tax purposes is
\$1,800,000.00..

DEED OF TRUST

THIS DEED OF TRUST is made as of this 15th day of December, 1998, among LYNWOOD UTILITY CORPORATION (herein called "Grantor") and JEFFREY R. KING, a resident of Williamson County, Tennessee (herein called "Trustee"), and LUMBERMEN'S INVESTMENT CORPORATION (herein called "Beneficiary").

WITNESSETH:

WHEREAS, Grantor is indebted to Beneficiary in connection with the following obligations:

1. Promissory Note executed by Mortgagor in favor of First Tennessee Bank National Association dated May 30, 1997, in the principal amount of \$305,000.00, and subsequently assigned to Beneficiary by Assignment Agreement dated December 16, 1998.
2. All funds advanced by Beneficiary to maintain, operate and upgrade the waste water treatment plant owned by Mortgagor (the "Plant"), including, but not limited to, all funds advanced by Beneficiary pursuant to the terms of that certain Utilities Agreement executed by and between Beneficiary and Mortgagor with an effective date of June 28, 1998, and all amendments thereto, and all expenses incurred in connection with obtaining and maintaining all required permits and licenses for the operation thereof.
3. Any and all other indebtedness owed by Grantor to Beneficiary whether presently existing or hereafter arising.

The above-referenced obligations are hereinafter collectively referred to as the "Obligations".

WHEREAS, Grantor desires to secure the payment of the Indebtedness with interest thereon and any renewals, extensions or modifications thereof, and the payment of certain other indebtedness hereinafter described, by a conveyance of the lands and properties hereinafter described; and

WHEREAS, Beneficiary accepts the benefits of this Deed of Trust; and

WHEREAS, Grantor and Beneficiary intend to set forth in this instrument the procedures that shall govern the trust herein created;

NOW, THEREFORE, in consideration of the premises and of the sums owed to Beneficiary secured hereby, Grantor has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell and convey unto Trustee, his successors and assigns the following described property and property rights (individually and collectively referred to as the Premises):

The real property more particularly described on Exhibit A attached hereto and incorporated herein by reference;

TOGETHER with all improvements thereon and all of the estate, right, title, and interest of Grantor of, in and to the Premises;

TO HAVE AND TO HOLD the foregoing Premises and rights hereby granted to the use and benefit of Trustee, his successors and assigns forever.

GRANTOR WARRANTS that Grantor has a good title to the Premises, and is lawfully seized and possessed of the Premises and every part thereof, and has the right to convey same; that Grantor will forever warrant and defend the title to the Premises unto Trustee against the claims of all persons whomsoever; and that the Premises are unencumbered except as shown on Exhibit B attached hereto.

BUT THIS CONVEYANCE IS MADE UPON THIS SPECIAL TRUST: TO SECURE TO LENDER: (a) the faithful and full performance of all covenants and agreements contained in this Deed of Trust; (b) the prompt payment of and faithful performance of all terms, conditions and agreements in connection with the Obligations and all extensions, modifications, and renewals thereof; (c) the prompt payment of all sums advanced to protect the security of this Deed of Trust with interest thereon at the maximum contract rate permitted by applicable law in effect at the time such advance is made; and (d) payment of all other obligations, liabilities and indebtedness owed by Grantor to Beneficiary, whether presently existing or hereafter arising (collectively referred to herein as the "Secured Indebtedness").

AND GRANTOR FURTHER COVENANTS AND AGREES WITH TRUSTEE AND BENEFICIARY AS FOLLOWS:

1. Payment of Principal and Interest. Grantor shall promptly pay the principal of and interest on the indebtedness evidenced by the Note.
2. Funds for Taxes and Insurance. At Beneficiary's option, Grantor shall pay to Beneficiary, at the times and in increments designated by Beneficiary, an amount reasonably sufficient (as estimated by Beneficiary) to provide Beneficiary with funds to pay all taxes, assessments, general or special, and other charges levied on, or assessed, placed or made against the Premises, or any interest of the Trustee or Beneficiary in the Premises and to pay hazard insurance premiums (as required in paragraph 7 hereof) so that Beneficiary will have sufficient funds on hand to pay same thirty (30) days before the date on which they become due.
3. Assignment of Rents. Grantor hereby assigns to Lender all rents, revenues, incomes and profits of the Premises, including those now or hereafter due, subject only to the condition that Beneficiary shall not collect such rents, revenues, incomes and profits so long as Grantor is not in default under the Deed of Trust. Upon default, Beneficiary may notify any tenant of the Premises of its intent to exercise its rights under this assignment. Grantor agrees that commencing upon delivery of such notice, any tenant of the Premises shall pay all accrued and subsequent rents to Beneficiary or Beneficiary's agents, without any liability on the part of tenant to inquire further as to the existence of a default by Grantor. Beneficiary's right to receive such rents shall not be affected by the institution of any bankruptcy, reorganization or insolvency proceedings by or against Grantor. The Grantor appoints the Beneficiary as his attorney-in-fact for the purpose of endorsing his name on any checks or drafts which represent rents, revenues, incomes or profits of the Premises. Should the Premises be involved in any insolvency, receivership, bankruptcy, or other proceedings affecting the possession of said Premises, it is further covenanted and agreed that Trustee or Beneficiary shall be entitled to all of the rents, issues and profits realized from or during any such proceedings, whether or not there shall exist a default under the Deed of Trust. Such rents shall be treated as cash collateral.
4. Additional Documents. Grantor shall execute and deliver (and pay the costs of preparation and recording thereof) to Beneficiary and/or Trustee and to any subsequent holder or successor from time to time, upon demand, any further instrument or instruments, including, but not limited to, deeds of trust, security agreements, financing statements, assignments and renewal and substitution notes, so as to reaffirm, to correct and to perfect the evidence of the Secured Indebtedness and the legal title of Trustee to all or any part of the Premises intended to be hereby conveyed, whether now conveyed, later substituted for, or acquired subsequent to the date of this Deed of Trust, and any extensions or modifications thereof.

5. Eminent Domain or Condemnation. Notwithstanding any taking of any property herein conveyed and agreed to be conveyed, by eminent domain, alteration of the grade of any street or other injury to, or decrease in value of, the Premises by any public or quasi-public authority or corporation, Grantor shall continue to pay principal and interest on the Secured Indebtedness, and any reduction in the Secured Indebtedness resulting from the application by Beneficiary of any award or payment for such taking, alterations, injury or decrease in value of the Premises, as hereinafter set forth, shall be deemed to take effect only on the date of such receipt; and said award or payment may, at the option of Beneficiary, be retained and applied by Beneficiary toward payment of the Secured Indebtedness, or be paid over, wholly or in part, to Grantor for the purpose of altering, restoring or rebuilding any part of the Premises which may have been altered, damaged or destroyed as a result of any such taking, alteration of grade, or other injury to the Premises, or for any other purpose or object satisfactory to Beneficiary, but Beneficiary shall not be obligated to assume the proper application of any amount paid over to Grantor.

6. Protection of Beneficiary's Security. If Grantor fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially adversely affects Beneficiary's interest in the Premises, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a debtor under applicable bankruptcy laws, then Beneficiary, at Beneficiary's option, without notice to Grantor, may make such appearances, disburse such sums and take such action as is reasonably necessary to protect Beneficiary's interest. Any amounts disbursed by Beneficiary pursuant to this Deed of Trust, with interest thereon, shall become additional Secured Indebtedness of Grantor secured by this Deed of Trust. Unless Grantor and Beneficiary agree to other terms of payment, such amounts shall be payable upon notice from Beneficiary to Grantor requesting payment thereof, and shall bear interest from the date of disbursement at the highest contract rate permissible by applicable law at such time. Nothing contained in this Article or in this Deed of Trust shall require Beneficiary to insure the Premises, maintain or renew policies of insurance, pay taxes, discharge liens, pay any expense or do any act whatsoever to protect or preserve the Premises.

Additionally, Beneficiary shall have the right, but not the obligation, to enter onto the Premises or to take such other actions as it deems necessary or advisable to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any Hazardous Material (as defined hereinafter) on the Premises or the violation of any Environmental Laws (as defined hereinafter) upon its receipt of any notice from any person or entity asserting the existence of any Hazardous Material or violation of any Environmental Laws on or pertaining to the Premises which, if true, could result in an order, suit or other action against Grantor affecting any part of the Premises by any governmental agency or otherwise which, in the sole opinion of Beneficiary could jeopardize Beneficiary's security under this Deed of Trust. All reasonable costs and expenses incurred by Beneficiary in the exercise of any such rights shall be secured by this Deed of Trust and shall be payable by Grantor upon demand, together with interest thereon at a rate equal to the highest interest rate payable under the documents and instruments evidencing the Secured Indebtedness. Any action taken hereunder by Beneficiary shall be taken for the sole purpose of protecting Beneficiary's security hereunder and shall not be interpreted as evidence of any management or ownership interest on Beneficiary's part.

7. Insurance.

(a) At Beneficiary's option: Grantor shall keep the Premises insured for the benefit of Beneficiary against loss or damage by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, smoke and other such hazards, in an amount equal to one hundred percent (100%) of full insurable value of the Premises; but in no event less than the principal balance of the Note less the acquisition costs and expenses of the land; all insurance herein provided for shall be in form and substance satisfactory to and issued by insurance companies approved by Trustee and Beneficiary; and, regardless of the types or amounts of insurance required and approved by Trustee and Beneficiary, Grantor hereby assigns and shall deliver to

Beneficiary, as collateral and further security for the payment of the Secured Indebtedness, all policies of insurance which insure against any loss or damage to the Premises, with loss payable to Beneficiary, without contribution by Beneficiary, pursuant to the New York Standard or other mortgagee clause satisfactory to Beneficiary. If Beneficiary, by reason of such insurance, receives any money for loss or damage, such amount may, at the option of the Beneficiary, be retained and applied by Beneficiary toward payment of the Secured Indebtedness, or be paid over, wholly or in part, to Grantor for the repair or replacement of the Premises or any part thereof, or for any other purpose or object satisfactory to Beneficiary, but Beneficiary shall not be obligated to assure the proper application of any amount paid over to Grantor.

(b) Not less than ten (10) days prior to the expiration date of each policy of insurance required of Grantor pursuant to this Article, and of each policy of insurance held as additional collateral to secure the Secured Indebtedness, Grantor shall deliver to Beneficiary a renewal policy or policies marked "premium paid" or accompanied by other evidence of payment satisfactory to Beneficiary.

(c) In the event of a foreclosure of this Deed of Trust, the purchaser of the Premises shall succeed to all the rights of Grantor, including any right to unearned premiums, in and to all policies of insurance assigned and delivered to Beneficiary with respect to all property conveyed and to be conveyed by this Deed of Trust, pursuant to the provisions of this Article.

(d) Should any loss occur to the insured Premises, Beneficiary is hereby appointed attorney-in-fact for Grantor to make proof of loss if Grantor fails to do so promptly, and to receipt for any sums collected under said policies, which sums, or any part thereof, at the option of Beneficiary, may be applied either as payment on the Secured Indebtedness or to the restoration or repair of the Premises so damaged or destroyed. Grantor promptly will give written notice to Beneficiary of any loss or damage to the Premises and will not adjust or settle such loss without the written consent of Beneficiary. In the event of any default under this Deed of Trust or the Note, all right title and interest of Grantor in and to any insurance policies then in force, and particularly to the unearned premiums therein and existing claims thereunder, shall pass to Beneficiary, which, at its option and as attorney-in-fact for Grantor, may make, settle and give binding acquittances for claims under said policies and may assign and transfer said policies or cancel and surrender the same applying any unearned premiums in such manner as it may elect. In case of Grantor's failure to keep the Premises so insured, Beneficiary or its assigns, may, at its option (but shall not be required to) effect such insurance at Grantor's expense.

8. Inspection. Beneficiary may make or cause to be made reasonable entries upon and inspections of the Premises.

9. Transfer of the Premises. In the absence of the Beneficiary's prior written consent, if all or any part of the Premises or any interest therein is sold or transferred including, without limitation, (a) the creation of a lien, charge, restriction or encumbrance against the Premises whether or not subordinate to this Deed of Trust, (b) the execution of a contract to sell, lease or otherwise dispose of all, part of, or any interest in, the Premises, or (c) the filing of any tax lien, judgment lien or other statutory lien against the Premises, Beneficiary may, within a reasonable time after Beneficiary acquires actual knowledge of the actual or attempted transfer, disposition or lien, declare all Secured Indebtedness to be immediately due and payable.

10. Discharging Liens. Grantor will promptly pay and settle or cause to be removed all claims or liens against any of said Premises which affect the rights of Beneficiary hereunder or, at Beneficiary's option, provide Beneficiary with acceptable security for the satisfaction thereof, and Grantor will appear in and defend any action or proceeding purporting to affect the Premises or the lien of this Deed of Trust or the rights or powers of Beneficiary hereunder, and Grantor will pay all expenses incident thereto; and if it shall become necessary for Beneficiary to bring or defend any action to protect or establish any of its rights hereunder, Grantor will pay in addition to costs and expenses allowed by law, the reasonable costs of bringing or defending such action,

including reasonable attorney's fees. In the event acceleration of payment of the unpaid portion of the debt secured hereby is declared, but no sale is made, or if Beneficiary elects not to pursue its other remedies at law or in equity, such acceleration shall be held for naught, and the Note or Notes secured hereby shall be deemed to mature as provided on their face, but without waiving the right of Beneficiary again to declare a default for the same or a different event of default.

11. Default Acceleration Foreclosure and Remedies. Upon the occurrence of any one (or more) of the following events (herein called an "event of default");

- (i) should Grantor fail to pay the Secured Indebtedness, or any part or installment thereof;
- (ii) should any representation or warranty of Grantor herein contained, or contained in any instrument, transfer, conveyance, assignment or loan agreement given with respect to the Secured Indebtedness, prove untrue or misleading in any material aspect;
- (iii) should the Premises be subject to actual or threatened waste, or any part thereof be removed, demolished or altered thereby materially diminishing the value of the Premises (except as provided for in Article 7 herein) and such condition is not corrected within thirty (30) days after written notice thereof is given to Grantor by Beneficiary or Trustee;
- (iv) should any federal tax lien or claim of lien for labor or material be filed of record against Grantor or the Premises and not be removed by payment or bond within thirty (30) days from date of recording;
- (v) should Grantor make any assignment for the benefit of creditors, or should a receiver, liquidator, custodian or trustee of Grantor or of any of Grantor's property be appointed, or should any petition for the bankruptcy, reorganization or arrangement of Grantor, pursuant to the Bankruptcy Reform Act of 1978, 11 U.S.C. § 101 et seq. or any similar statute, be filed, or should Grantor be adjudicated bankrupt or insolvent, or should Grantor, if a corporation, be liquidated or dissolved or its charter expire or be revoked, or, if a partnership or business association, be dissolved or partitioned, or, if a trust, be terminated or expire; provided, nevertheless, that if any such proceeding be involuntary in nature, the Grantor shall be entitled to sixty (60) days from the commencement of same within which to procure the dismissal thereof before the Secured Indebtedness shall be considered in default;
- (vi) should Grantor fail to keep, observe, perform, carry out and execute in every particular any one or more of the covenants, agreements, obligations and conditions set out in this Deed of Trust or in the Note, or in any other instrument given with respect to the Secured Indebtedness;
- (vii) should any event occur under any instrument, deed or agreement, given or made by Grantor to or with any third party, which permits or results in the acceleration of any debt to any such third party;
- (viii) should the Premises, or any substantial part of the Premises, be placed under control or in the custody of any court; or
- (ix) should Grantor fail to comply promptly with any and all requirements of any governmental authority or to contest same in judicial proceedings or otherwise and provide Beneficiary with acceptable security for the performance thereof; or
- (x) should an event of default occur under the terms of any other contract between Beneficiary and/or Mortgagor, David A. Terry, Legends Properties, Inc., Terry Properties, LLC or Legends Ridge, LLC;

then and thereupon Trustee may take any one or more of the following actions:

- (i) enter upon and take possession of the Premises without applying for or obtaining the appointment of a receiver;
- (ii) employ a managing agent of the Premises and let the same, either in Trustee's own name, in the name of Beneficiary or in the name of Grantor, and receive the rents, incomes, issues and profits of the Premises and apply the same, after payment of all necessary charges and expenses, on account of the Secured Indebtedness;
- (iii) pay any sums in any form or manner deemed expedient by Beneficiary to protect the security of this Deed of Trust or to cure any event of default other than payment of interest or principal on the Secured Indebtedness;
- (iv) make any payment hereby authorized to be made according to any bill, statement or estimate furnished or procured from the appropriate public officer or the party claiming payment without inquiry into the accuracy or validity thereof, and the receipt of any such public officer or party in the hands of Beneficiary shall be conclusive evidence of the validity and amount of items so paid, in which event the amounts so paid, with interest thereon from the date of such payment at the highest contract rate permitted to be charged by applicable law shall be added to and become a part of the Secured Indebtedness and be immediately due and payable to Trustee or Beneficiary, as the case may be, and Trustee or Beneficiary, as the case may be, shall be subrogated to any encumbrance, lien, claim or demand, and to all the rights and securities for the payment thereof, paid or discharged or by Trustee or Beneficiary under the provisions hereof, and any such subrogation rights shall be additional and cumulative security to this Deed of Trust;
- (v) foreclose this Deed of Trust. Trustee hereunder, or his agent or successors, at the request of Beneficiary hereunder, or the representatives or assigns of the Beneficiary, after giving notice of the time and place of sale, by publication of such at least three (3) different times in some newspaper published in the county where the Property, or any part thereof, is located, the first of which publications shall be at least twenty (20) days previous to said sale, and on the day and at the door of the County Courthouse in the County in which the Premises are located, at which foreclosure sales are customarily held, or at the election of Beneficiary at the Premises, shall proceed to sell the Premises at public auction for cash to the highest bidder, and in bar of the right of redemption, and all other rights of redemption, statutory or otherwise (including, without limitation, those rights of redemption contained in Tennessee Code Annotated, Section 66-8-101, *et seq.*), homestead, dower and all other rights and exemptions of every kind, all of which are hereby waived; and said Trustee shall apply the proceeds from such sale - First to the payment of all costs and expenses of such sale, including attorney and trustees fees and expenses incurred in connection with the sale and Grantor's default; Second, to the payment of the Secured Indebtedness above mentioned and interest thereon, including any and all advances made under the terms hereof with interest thereon; Third, the surplus, if any, to the parties legally entitled thereto. In the event Trustee cannot determine the person or persons to whom the surplus should be paid or a controversy exists with respect to the surplus that could subject the Beneficiary or Trustee to liability, Trustee may pay the surplus into a court of competent jurisdiction in an interpleader action and all expenses of such action, including legal fees incurred by Beneficiary and Trustee, shall be paid from the surplus or, if the surplus is insufficient, by Grantor.
- Beneficiary or Beneficiary's designee may purchase the Premises at any sale. In the event Beneficiary purchases the Premises at Trustee's sale, to the extent that Beneficiary's bid price is less than or equal to the total amount of the Secured Indebtedness (including principal, interest, expenses and legal fees), Beneficiary shall credit the amount so bid against the sums secured hereby rather than pay cash to Trustee. To the extent Beneficiary's bid price exceeds the Secured Indebtedness, Beneficiary shall pay Trustee cash equal to such excess.

In case of any sale under this Deed of Trust by virtue of the exercise of the power herein granted, or pursuant to any order in any judicial proceeding or otherwise, the Premises or any part thereof may be sold in one parcel, or in such parcels, manner or order as Beneficiary in its sole discretion may elect, and one or more exercises of the power herein granted shall not extinguish or exhaust the power unless the entire Premises are sold or the Secured Indebtedness paid in full.

Following a Trustee's sale of the Premises, Trustee shall deliver to the purchaser a Trustee's Deed conveying the property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's Deed shall be prima facie evidence of the truth of the statements made therein.

Grantor further agrees that in case of any sale hereunder, it will at once surrender possession of the Premises, and will from that moment become and be the tenant at will of the purchaser, and removable by process as upon a forcible and unlawful detainer suit, hereby agreeing to pay the said purchaser the reasonable rental value of the Premises after such sale plus all expenses, including legal fees, incurred by the purchaser to obtain lawful possession of the Premises.

(vi) institute appropriate proceedings of foreclosure in equity or at law. Upon the institution of such proceedings, Trustee shall, upon application therefor, without notice, be entitled to have a receiver appointed to take possession of the Premises, and Trustee or Beneficiary shall be entitled to all of the rents, issues and profits arising therefrom during the pendency of any such foreclosure proceedings.

(vii) take any other action it may be legally entitled to take to protect its rights.

12. Substitute Trustee. Beneficiary shall at any time and from time to time have the irrevocable right to remove Trustee herein named without notice or cause and to appoint his successor by an instrument in writing, duly acknowledged, in such form as to entitle such written instrument to be recorded in Tennessee, and in the event of the death or resignation of Trustee herein named, Beneficiary shall have the right to appoint his successor by such written instrument, and, without conveyance of the Premises, any Trustee so appointed ("Substitute Trustee") shall be vested with the title to the Premises, and shall possess all the powers, duties and obligations herein conferred on Trustee in the same manner and to the same extent as though he were named herein as Trustee. Neither the original Trustee nor any Substitute Trustee shall be required to make bond, oath or file an inventory.

13. Future Advances. Upon request of Grantor, and at Beneficiary's option prior to release of this Deed of Trust, Beneficiary may make future advances to Grantor. Such future advances, with interest thereon, shall be secured by this Deed of Trust unless the parties shall agree otherwise in writing.

14. Marshalling Not Required. If the Secured Indebtedness, or any part thereof, is now or hereafter further secured by chattel mortgages, other deeds of trust, security interests, pledges, contracts of guaranty, assignments of leases or other securities, Beneficiary may, at its option, exhaust any one or more of said securities and the security hereunder either concurrently or independently, and in such order as it may determine, and Beneficiary shall not be required to marshal assets.

15. Modification of Deed of Trust. Any amendment to or modification of this Deed of Trust may be made only in writing signed by and between Grantor and Beneficiary (without necessity of joinder therein by the Trustee).

16. Forbearance by Beneficiary Not a Waiver. Any indulgence or departure at any time by Beneficiary from any of the provisions hereof, or of any obligation hereby secured, shall not modify the same or relate to the future or waive future compliance therewith by Grantor.

17. Remedies Cumulative.

(a) The rights of Trustee and Beneficiary, granted and arising under the clauses and covenants contained in this Deed of Trust and the Note, shall be separate, distinct and cumulative of other powers and rights herein granted and all other rights which Trustee and Beneficiary may have under any other loan documents or at law or in equity, and none of them shall be in exclusion of the others; and all of them are cumulative to the remedies for collection of indebtedness, enforcement of rights under security deeds, and preservation of security as provided at law. No act of Trustee or Beneficiary shall be construed as an election to proceed under any one provision herein or under the Note to the exclusion of any other provisions, or an election of remedies to the bar of any other remedy allowed at law or in equity, anything herein or otherwise to the contrary notwithstanding.

(b) Beneficiary shall have the right from time to time to sue for any sums, whether interest, principal or any installment of either or both, taxes, penalties, or any other sums required to be paid under the terms of this Deed of Trust, as the same become due, without regard to whether or not all of the Secured Indebtedness shall be due on demand, and without prejudice to the right of Trustee and/or Beneficiary thereafter to enforce any appropriate remedy against Grantor, including an action of foreclosure, or any other action, for a default or defaults by Grantor existing at the time such earlier action was commenced.

18. Notice. Every provision for notice and demand or request shall require written notice to one or more of the persons who shall at the time hold the record title to the Premises, or on their heirs or successors.

19. Governing Law. The validity, construction and effect of this Deed of Trust, the Note and of any other writing executed in connection herewith or secured hereby shall be governed by the laws of the State of Tennessee.

20. Severability. In the event that any provision or clause of this Deed of Trust or the Note conflict with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note that can be given effect without the conflicting provision, and to this end the provisions of the Deed of Trust and the Note are declared to be severable.

21. Successors and Assigns Bound; Captions; Grammatical Construction. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Beneficiary, Trustee and Grantor. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof. The words "Grantor", "Beneficiary" and "Trustee" whenever used herein shall include all individuals, corporations (and if a corporation, its officers, employees, agents or attorneys) and any and all other persons or entities, and the respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto, and all those holding under either of them, and the pronouns used herein shall include, when appropriate, either gender and both singular and plural, and the word "Note" shall also include one or more notes and the grammatical construction of sentences shall conform thereto.

22. Further Encumbrances. Grantor shall not grant any liens or security interests against the Premises.

23. Hazardous Materials. Grantor represents, warrants and agrees that (a) no Hazardous Material (as hereinafter defined) has been used or placed on the Premises in violation of any applicable Environmental Laws (as hereinafter defined); (b) no notice has been received with regard to any Hazardous Material on the Premises; (c) the Premises are presently in compliance with all Environmental Laws; (d) no action, investigation or proceeding is pending or to Grantor's knowledge threatened which seeks to enforce any right or remedy against Grantor or the Premises under any Environmental Law; (e) Grantor shall permit no installation or placement of Hazardous Material on the Premises in violation of Environmental Laws; (f) Grantor shall permit

no release of Hazardous Material onto or from the Premises; (g) Grantor shall cause the Premises to comply with applicable Environmental Laws and shall keep the Premises free and clear of any liens imposed pursuant to any applicable Environmental Laws; (h) all licenses, permits and other governmental or regulatory actions necessary for the Premises to comply with Environmental Laws (the "Permits") shall be obtained and maintained and Grantor shall assure compliance therewith; and (i) Grantor shall give the Beneficiary prompt written notice if Grantor receives any notice with regard to Hazardous Material on, from or affecting the Premises and shall conduct and complete all investigations and all cleanup actions necessary to remove, in accordance with applicable Environmental Laws, such Hazardous Material from the Premises. Grantor shall indemnify and hold harmless the Beneficiary from and against all losses, expenses (including, without limitation, attorneys' fees) and claims of every kind suffered by or asserted against Beneficiary as a direct or indirect result of (a) the presence on or release from the Premises of any Hazardous Material, whether or not caused by Grantor, (b) the violation of any Environmental Laws applicable to the Premises, whether or not caused by Grantor, (c) the failure by Grantor to comply fully with the terms and provisions of this paragraph, or (d) any warranty or representation made by Grantor in this paragraph being false or untrue in any material respect. For purposes of this Instrument, "Hazardous Material" means polychlorinated biphenyls, petroleum, flammable explosives, radioactive materials, asbestos and any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Environmental Laws or listed as such by the Environmental Protection Agency. "Environmental Laws" means any current or future governmental law, regulation or ruling applicable to environmental conditions on, under or about the Premises including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, The Superfund Amendment and Reauthorization Act of 1986, the Toxic Substances Control Act, the Clean Air Act, the Clean Water Act, or the Tennessee Hazardous Waste Management Act. Grantor's obligations under this paragraph shall survive a foreclosure of or exercise of power of sale under this Instrument or the delivery of a deed in lieu of foreclosure.

24. Security Agreement. This document is intended, among other things, to be a security agreement. Accordingly, Grantor hereby grants to Beneficiary a security interest in all accounts, machinery, apparatus, goods, equipment, personal property, fixtures, general intangibles, issues and profits presently existing and hereafter acquired, which are located on, used in connection with, or relate to the Premises, and all proceeds (including insurance proceeds), thereof. Grantor agrees to execute and deliver financing statements covering said property from time to time in such form as Beneficiary may require to perfect a security interest therein. Grantor shall pay all costs and transfer taxes required to be paid in order to file such financing statements in the appropriate place or places. This Deed of Trust shall constitute a financing statement for purposes of local filing requirements. Without the prior written consent of Beneficiary, Grantor shall not create or suffer to be created, pursuant to the Uniform Commercial Code, any other security interest in said accounts, machinery, apparatus, goods, equipment, personal property, fixtures, general intangibles, issues and profits including replacements and additions thereto and the proceeds thereof. Upon the occurrence of an Event of Default or Grantor's breach of any other covenants or agreement between the parties entered into in conjunction herewith, Beneficiary shall have the remedies of a secured party under the Uniform Commercial Code and, at Beneficiary's option, the remedies provided for in this Deed of Trust. In the event Grantor has executed a separate security agreement with respect to the personalty granting Beneficiary a security interest therein, the terms of this document shall be read to complement rather than contradict such other security agreement.

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust on the 15th day of December, 1998.

GRANTOR:

LYNWOOD UTILITY CORPORATION

By: David A. Perry

Title: PRESIDENT

STATE OF TENNESSEE)
COUNTY OF DAVIDSON)

Before me, _____, a Notary Public of said County and State, personally appeared _____, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be _____ (or other officer authorized to execute the instrument) of LYNWOOD UTILITY CORPORATION, the within named bargainer, a corporation, and that he as such _____ executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as _____.

Witness my hand and seal, at Office, this 15th day of December, 1998.

Notary Public

My Commission Expires: _____